

REPUBLIC OF KENYA



Enhancing Accountability

PAPERS LAID	
DATE	9/5/2024
TABLED BY	Sen. Orwoba
COMMITTEE	—
CLERK AT THE TABLE	cherop

REPORT



OF

THE AUDITOR-GENERAL

ON

**NAROK WATER AND SEWERAGE
SERVICES COMPANY LIMITED**

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



**NAROK WATER AND SEWERAGE SERVICES COMPANY LIMITED
(NARWASSCO)**

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)

Narok Water and Sewerage Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

Table of Contents

Page

Table of Contents	ii
1. Acronyms and Glossary of Terms.....	iii
2. Key Entity Information	iv
3. The Board of Directors.....	vi
4. Key Management Team	ix
5. Chairman’s Statement	xi
6. Report of the Managing Director	xiii
7. Statement of Performance against Predetermined Objectives for FY 2022/2023	xv
8. Corporate Governance Statement.....	xvi
9. Management Discussion and Analysis.....	xvii
10. Environmental and Sustainability Reporting	xviii
11. Report of Directors.....	xx
12. Statement of Directors’ Responsibilities.....	xxi
13. Report of the Independent Auditors for the financial statements of <i>Narok Water and sewerage company Ltd</i>	xxiii
14. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2023... 1	
15. Statement of Financial Position As at 30 June 2023	2
16. Statement of Changes in Equity for the Year Ended 30 June 2023	3
17. Statement of Cash Flows for the Year Ended 30 June 2023	4
18. Statement of Comparison of Budget & Actual Amounts for the Period Ended 30 June 2023	5
20. Appendices	38

1. Acronyms and Glossary of Terms

<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MD</i>	<i>Managing Director</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>
<i>NARWASSCO</i>	<i>Narok Water and Sewerage Company Limited</i>
<i>WSTF</i>	<i>Water Sector Trust Fund</i>
<i>CRVWWDA</i>	<i>Central Rift Valley Water Works Development Agency</i>
<i>WRA</i>	<i>Water Resources Authority</i>
<i>NRW</i>	<i>Non-Revenue Water</i>
<i>NSSF</i>	<i>National Social Security Fund</i>
<i>FY</i>	<i>Financial Year</i>
<i>JICA</i>	<i>Japanese International Corporation Agency</i>

Narok Water and Sewerage Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

2. Key Entity Information

Background information

Narok water and Sewerage Services Company Limited (NARWASSCO) is a public company limited by shares and was established on 27th February 2006 under the Companies Act, cap 486 laws of Kenya. NARWASSCO is licenced by the Water Services Regulatory Board, (Water Act 2016) to carry out its function as a water service provider. At county level, NARWASSCO is represented by the County Executive Committee Member for Environment, Water, Natural Resources and Climate Change who at together with board of directors is responsible for the general policy and strategic direction of the company. NARWASSCO is domiciled in Narok, Kenya and has schemes in Ololuhung'a and currently undertaking Suswa and Kilgoris.

Vision:

Water and Sewerage services for all.

Mission:

To provide effective water and sewerage services in Narok town and its environs for socio-economic development.

Principal Activities:

The principal activity of NARWASSCO is to supply affordable, clean water and sewerage services to Narok town, Ololuhung'a town and its environs in a financially sustainable manner and within government regulations.

Objectives

- To maintain and expand water and sanitation infrastructure so as to increase water service coverage
- To ensure Effective and Efficient Water Supply and Sanitation in the plan period
- To enhance financial and commercial sustainability in order to facilitate infrastructure development and operational efficiency of the company.
- To strengthen internal processes and build a strong and committed team of human resource that enhances efficiency in service delivery
- To ensure the Provision of high-Quality Water and Sewerage Services at a cost -Effective Rate to the Satisfaction of the Stakeholders.
- To enhance Environmental Management.
- To enhance Social Inclusivity.
- To foster collaboration with actors and stakeholders for increased commitment and participation towards delivering the mandate of the company.

Directors.

1.	Hon. Rapanke Ole Samante	Chairman	Appointed on 10 th February 2023
2.	Hon. Solomon Ole Moriaso	Member	Appointed on 10 th February 2023
3.	Hon. Leboi Ole Liarika	Member	Appointed on 10 th February 2023
4.	Hon. Mary Njoki	Member	Appointed on 10 th February 2023
5.	Hon. Gabriel Mibei	Member	Appointed on 10 th February 2023
6.	Mr Johana Rotich	Member	CEC Water, Environment Natural Resources and climate change
7.	Mr Justus Parsamae Lemein	Secretary	Managing Director.

Narok Water and Sewerage Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

Registered Office

OLD TOWN COUNCIL OFFICES
Along MAU-NAROK Road Opposite Narok Referral Hospital
P.O. Box 935-20500
Narok, KENYA

Corporate Headquarters

P.O. Box 935-20500
OLD TOWN COUNCIL OFFICES
Opposite Narok referral hospital
Narok, KENYA

Corporate Contacts

Telephone: (+254) 727500700
E-mail: narokwater@yahoo.com
Website: www.narwassco.co.ke

Corporate Bankers

1. National Bank Limited
Narok Branch
P.O. Box 348-20500
Narok, Kenya
2. Cooperative Bank
Narok Branch
P.O BOX 632-20500
Narok, Kenya
3. Safaricom MPESA
Paybill No. 526560



Independent Auditor

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

Principal Legal Advisers

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

3. The Board of Directors

Directors	Details
 <p data-bbox="204 1122 655 1155">Hon. Bishop Rapanke Ole Samante</p>	<p data-bbox="821 365 1469 864">Hon. Bishop Rapanke Ole Samante was born on 13th November 1978 and serves as the Board Chairman. He holds a Diploma of Business Management from Greatsta University of Kenya. He has vast experience in Tourism sector as tour guide and rising to a level of management. Further, he pursued politics from 2013-2022 elected as an MCA Representing Ildamat ward. He held various positions in the assembly such as chairman finance and economic planning from 2013-2017 and Chairman budget and appropriation committee from 2017-2022.</p> <p data-bbox="821 875 1023 909"><u>Christian Life.</u></p> <p data-bbox="821 925 1469 1216">He has been a pastor from 2004-2010 of Community Christian Church (CCC) From 2010-2023 he has been an apostle currently he serves as a regional Bishop in the same denomination. He has been very instrumental in improving water service provision in Narok county working closely with the Governor. He represents Religious community in the board.</p>
 <p data-bbox="304 1727 655 1760">Hon. Solomon Ole Moriaso</p>	<p data-bbox="821 1272 1469 1525">Hon. Solomon Ole Moriaso was born on 31st December 1965 and serves as the Board member and chairperson of Finance and administration committee. He Holds P1 teaching qualifications rising to a level of a Head teacher in Majimoto Primary School</p> <p data-bbox="821 1536 1469 1648">Further he was elected as councillor representing Majimoto ward in the defunct Narok county council from 1997-2012.</p> <p data-bbox="821 1659 1469 1771">In the county council he served as chairperson finance committee for 8 years and Chairman Narok county council for 3 years.</p> <p data-bbox="821 1783 1469 1850">He represent the business community in the Board.</p>

Narok Water and Sewerage Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023



Hon. Leboi Ole Liarika

Hon. Leboi Ole Liarika was born on 02 February 1972 and serves as the Board member and chairperson of Technical Committee. He has vast experience in Politics and service to the public. He served as an elected councillor from 2007-2013 representing Emarti Ward in defunct Transmara county council. He represents the business community in the board.



Hon. Mary Njoki

Hon. Mary Njoki Wangai was born on 16th May 1977 and serves as the Board member and chairperson of Audit committee. She has vast experience in teaching and worked as a secretary in a Non-Governmental Organization (NGO) World concern. She further pursued politics and was nominated to the Narok county assembly as an MCA representing Minority and Gender. She represent the Gender and special interest in the board.



Hon. Gabriel Korir Mibei

Hon. Gabriel Korir Mibei was born on 27th September 1970 and serves as the Board member. He has vast experience working with the defunct Transmara county council social services Officer later worked with Mara conservancy's as public relations officer further he worked as a peace caravan in charge of Trans-Kuria under USAID. He further pursued politics and was Elected to the Narok county assembly as an MCA representing Angata Barikoi ward from 2017-2022. Hon Mibei was a chairperson for children's and culture committee and also worked in national executive committee in charge of athletics County assembly's sports association. He represent special interest in the board.

**Narok Water and Sewerage Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023**



Mr. Rotich Kiplangat Johana



Mr Rotich Kiplangat Johana was born on 20th January 1987 He holds Bachelor Degree in Education and currently pursuing a Masters in Public Administration.
He has served in Teachers Service Commission (TSC) for 8 years 2014-2022.
Mr Rotich serves as the Board member.
He currently serves as the County Executive Committee Member (CECM) In-charge of Water, Environment, Energy, Natural resources and Climate change.
He represents the county government of Narok in the board.



Mr. Justus Parsamae Lemein

Mr Justus Parsamae Lemein was born on 8th August 1994.
He holds a Master's of Science Degree in project management from Jomo Kenyatta University of Agriculture and Technology
He holds a Bachelor's Degree in Civil and Structural Engineering from Kenyatta University
Mr Lemein has over five years' experience in project management working as project manager at CRVWWDA for African Development Bank funded projects.
He is registered as a graduate engineer in the Engineers Board of Kenya (IEBK)
He was appointed as the Managing Director of the company in February 2023
Mr Lemein serves as the board secretary

4. Key Management Team

Managers	Details
 <p data-bbox="140 824 539 907">JUSTUS PARSAMAE LEMEIN MANAGING DIRECTOR</p>	<p data-bbox="754 421 1474 497">Mr Justus Parsamae Lemein was born on 8th August 1994.</p> <p data-bbox="754 506 1474 624">He holds a Master’s of Science Degree in project management from Jomo Kenyatta University of Agriculture and Technology</p> <p data-bbox="754 633 1474 710">He holds a Bachelor’s Degree in Civil and Structural Engineering from Kenyatta University</p> <p data-bbox="754 719 1474 880">Mr Lemein has over five years’ experience in project management working as project manager at CRVWDA for African Development Bank funded projects.</p> <p data-bbox="754 889 1474 965">He is registered as a graduate engineer in the Engineers Board of Kenya (IEBK)</p> <p data-bbox="754 974 1474 1050">He was appointed as the Managing Director of the company in February 2023</p>
 <p data-bbox="148 1572 531 1655">JOEL TUMATE TARAKWAI COMMERCIAL MANAGER</p>	<p data-bbox="754 1207 1474 1240">Mr. Joel Tumate Tarakwai was born on 1st January 1991</p> <p data-bbox="754 1249 1474 1395">He has Bachelor’s Degree in Business Management (Accounting option) from Maasai Mara university and currently pursuing Master’s in business management (Accounting option) from Moi University.</p> <p data-bbox="754 1404 1474 1471">Mr Tarakwai has worked as Director for youth affairs and Director finance from 2018-2023</p> <p data-bbox="754 1480 1474 1547">He was appointed as the Commercial Manager and head of finance in February 2023 for the company.</p>

Narok Water and Sewerage Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023



DAVIES TARKASH
TECHNICAL MANAGER

Mr Davies Tarkash was born on 1st January 1967. He holds a Diploma in Water Suppliers Constructions from Kenya Water Institute (KEWI) in 1988. He also holds two certificates from JICA international centre Yokohama in urban water works engineering in 2016. He has vast experience in the water sector spanning over 18 years. Mr Tarkash is seconded to the company from County Government of Narok and currently serving the company as a Technical Manager.



ANDREW SIAMETO KIREU
HUMAN RESOURCE AND
ADMINISTRATION MANAGER

Mr. Andrew Siameto Kireu was born on 25th December 1986. He holds a Bachelor of Science in Human Resource Management. From Maasai Mara University. Currently pursuing Masters of Science Human Resource Management from Maasai Mara University. Mr. Kireu is a Certified Human Resource Professional (CHRP) and a Member of Institute of Human Resource Management (IHRM). He post Over 7 years' experience in management both Government institutions and donor funded projects, He currently serves the Company as Human Resource and Administration Manager.



5. Chairman's Statement

This Annual 2022/2023 Report showcases our solid results and highlights the forward-looking, innovative organization we have become. Despite facing substantial economic challenges both in the global and at home, we managed to navigate these hitches and deliver exceptional outcomes. The year presented us with tough operating conditions, including changes in taxation, political uncertainty surrounding the elections and a significant economic slowdown compounded by rising inflation and currency depreciation. However, despite these obstacles, we are pleased to see the outstanding results the company has achieved.

Foremost, I want to appreciate the new County Government of Narok under the leadership of His Excellency the Governor Hon Patrick Ole Ntutu for the support that he has so far granted the Company. We sincerely appreciate His Excellency the Governor for the rehabilitation of the Ilmashariani water springs, Pumps servicing and the completion of Suswa Town water project this has enable the company inject additional 5000M3 of water to the system. I also express my gratitude to the Governor for his commitment to ensuring access to clean water for all residents in Narok town, Ololulunga town and most recently Suswa town by making provision of water as his top agenda. We can be sure that in this dispensation we will continue enjoying a supportive relationship for the interest of the residents of Narok.

Corporate governance and sustainability

Narok water and Sewerage Company Limited is fully committed to managing its business in a sustainable way and upholding the highest standards of ethics and corporate governance practices. The Board of Directors is ultimately accountable for the performance of the Company, appreciating that strategy, risk, performance and sustainability are inseparable.

Narok Water and Sewerage Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

Our governance framework is based on the principles contained in Water Services Regulatory Board (WASREB) regulations and we are satisfied that the Company has applied those principles during the year under review.

It is gratifying to be able to note that the Board and its committees have performed outstandingly well, not only in fulfilling their duties, but in proactively supporting management, delegating with responsibility and transparency, and applying its collective mind and skills to meet the challenges, and maximize the opportunities that have made themselves apparent during the year. In addition, during the year under review, we continued to work hard to understand the concerns of our stakeholders, to absorb them and apply them so that our strategy continually matches not only our vision, mission and purpose, but the needs and expectations of all those individuals and bodies that are impacted by what we do.

Financial Performance

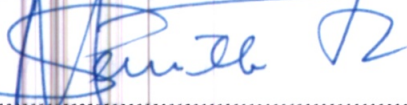
Despite the economic obstacles experienced during the year, the Company managed to close with a growth of 6% from the previous financial year. This has been a result of increased water production from the improved demand of water both from existing customers and new customers in areas like Suswa and Narok town environs the company also managed to obtain a new sewer tariff.

The Company is still looking forward to reach more new areas within Narok County and continue to deliver increased amount of water to the residents whose quality is assured to be high. We anticipate to serve more customers with enough potable water and bring on board more development partners who will assist the Company to move forward and achieve its Vision and Mission.

In closing

To all our stakeholders, and in particular government and regulatory bodies with whom we continuously consult, I would like to say that we greatly appreciate their support and willingness to engage with us as we move forward together to make the future an even better one for all.

Thank You!


Sign.....

Hon. Bishop Rapanke Ole Samante

Chairman Board of Directors Narok Water and Sewerage Services Company Limited.



6. Report of the Managing Director

During the year under review, FY 2022/2023; we acknowledge various milestones and achievements attained. As a company we managed to progress in terms of sales, billing and production, thanks to the dedicated employees. The growth in customer connections has also been gradual which closed with 7895 connections. More importantly, in our objective to provide quality water services to the entire Narok County. We have managed, with support of various partners, to extend our services to new areas by implementing new projects. For instance, Suswa Water Supply project is at 90% completion and will provide 30,000 consumers and 25,000 animals with clean and portable water. To improve efficiency and reduce the operational costs we have serviced our four pumps, we were also able to incorporate a new scheme (Ilmasharaiani Spring) into our system which has added an extra 700m³ per day servicing a population of 15,000 consumers. Serviced, bought new and plans are under way to buy more DMA meters for our system. We have also introduced training and benchmarking to capacity build our staff especially on NRW Reduction.

Performance

The company has closed the year with a total Sales of Kshs 102,869,807 which is an improvement of 7% in Operating Revenue compared to the previous financial year, this was a contribution of 92,017,100 water sales and 5,952,956 sewer sales besides improvement in other billed services. In terms of water abstracted there was an increment closing with volumes of 779,652M³. Key notable achievements the company made during the year includes servicing all the pumps, We have also increased our sewer coverage and connections.

License

Lastly, it cannot go without mention that the Company received a (5) five years License from the Regulator, Water Services Regulatory Board (WASREB), which includes the sewer component. We have also been given a new tariff which will be in operational for a period of 2 years.

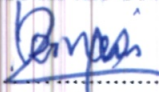
However, we have encountered numerous challenges in the past, The drought situation which was experienced at the beginning of the year almost crippled our operations. The ever unceasing demand for water due to the increased population growth, increased electricity and fuel charges among many others however, we are very optimistic that we will overcome the challenges that we experienced within the year even as we welcome the FY 2023/24.

Narok Water and Sewerage Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

Due to the efforts made by each and one of us the NRW has reduced but we are putting in more efforts in order to manage the NRW and increase the revenue collection efficiency. Throughout the year we had the challenge of meters and gate valves theft for this reason, we call upon all employees and members of the public to report meter theft, we have resolved to give out incentives to the people who will help us bring the culprits to the book and also take legal action on whoever is involved.

As we start the New Year FY 2023/24, we are optimistic that our goals, objectives and targets will enable us to improve service delivery to the residents of Narok County.

We will focus on reducing the cost of production and increase coverage-especially in areas not covered by developing more proposals for expansion of projects. The responsibility of ensuring that the Company runs well and improves service delivery is on all of us, and for that reason, I am certain that our able NARWASSCO staff will direct more efforts to ensure more improvement and better performance in the coming year.

Sign.....



Mr. Justus Parsamae Lemein
Managing Director Narok Water and Sewerage Company Limited

7. Statement of Performance against Predetermined Objectives for FY 2022/2023

NARWASSCO has three (3) strategic pillars and objectives within its five (5) Strategic Plan for the FY 17/18- FY 2021/2022. These strategic pillars/themes are as follows:

1. Increased water service coverage for Narok town and its environs;
2. Improved Customer satisfaction; and
3. Increased financial sustainability.

NARWASSCO develops its annual work plans based on the above pillars/themes. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets set for the FY 2021/2022 period for its strategic pillars, as indicated in the diagram below:

Strategic Pillar/theme.	Objective	Key Performance Indicators	Activities	Achievements
Increased water service coverage	To ensure effective and efficient water and sanitation services in the plan period.	<ul style="list-style-type: none"> • Additional households connections on water; • New/additional sewer household connections. 	<ul style="list-style-type: none"> • construction of sewerage treatment plant • construction of sewerage network • Constructions of water supply/last mile connectivity 	<ul style="list-style-type: none"> -New 2000 water connection; -Over 81km line extensions; and -530 sewer connection
Increased financial sustainability	To enhance financial and commercial sustainability in order to facilitate infrastructure development and operational efficiency of the company	<ul style="list-style-type: none"> • Review and application of the new tariff; • Acquisition of operational licence from the water services regulatory board. 	<ul style="list-style-type: none"> • Gazettement of the new tariff by WASREB done • Public participation done on licence and tariff 	<ul style="list-style-type: none"> • Licence d • RTA approved Operational
Improved customer satisfaction	To ensure the provision of high-quality water and sewerage services at a cost - effective rate to the satisfaction of the stakeholders.	<ul style="list-style-type: none"> • To increase production of water volume from the current 785,675m³ to approx. 1,000,000m³ to cater for the increased number of connections within the households which currently stands at 6000, • Increase supply hours 	<ul style="list-style-type: none"> • Rehabilitate the Central Water Treatment plant and rising main • Major servicing of the water intake facility pumps; • Continuous pumping even during power shortage hours to avoid service disruptions; • Construction of sectional control valves and chambers. 	<ul style="list-style-type: none"> • Replaced pumping sets at the central plant; • Constructed four number sectional control valves and chambers, additional pipeline extensions; • More than twelve hours of sustained safe water supply

8. Corporate Governance Statement

The Board of Directors was composed of seven (7) Board members representing different stakeholders. The County Government of Narok is represented by two directors while the other 5 directors represent stakeholders within our area of service delivery – business and manufacturing communities, resident institutions and representative of the professional bodies.

Every year, two directors retire in succession to ensure retention of institutional memory. The company Directors have been appointed once and the rotational basis is implemented in the next two years.

To support the business of the Board, there are three committees namely, Finance and Administration Committee, Audit, Risk and Governance Committee and Technical Services Committee. The three Committees meet every quarter and the Full Board meets once every quarter.

The business of the Board is guided by the Board Charter and the members of the Board are evaluated at the end of the year. The evaluation is carried out by an independent member and the recommendations are shared and implemented the following year.

The roles and functions of the Board are well articulated by the Board, the Chairperson, the Committees, the Directors and the Managing Director are well documented in the Board charter and are respected.

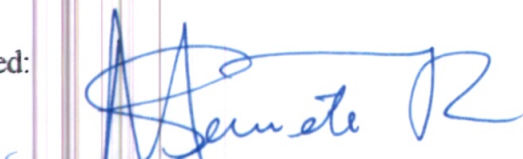
Through the involvement of the County Government and supporting donor agencies, the members are put through a training process and they sign a code of conduct for Board Members.

The remuneration of the Board is guided by Water Services Regulatory Board's guidelines and the resolution of the company shareholders.

Going Concern

Evident by the surplus realized during the period, the directors confirm that Narok Water and Sewerage Services Company Limited has adequate resources to continue in business for the foreseeable future and therefore the continued use of the going concern as a basis when preparing financial statements.

Signed:



Hon. Rapanke Ole Samante

Chairperson – NARWASSCO

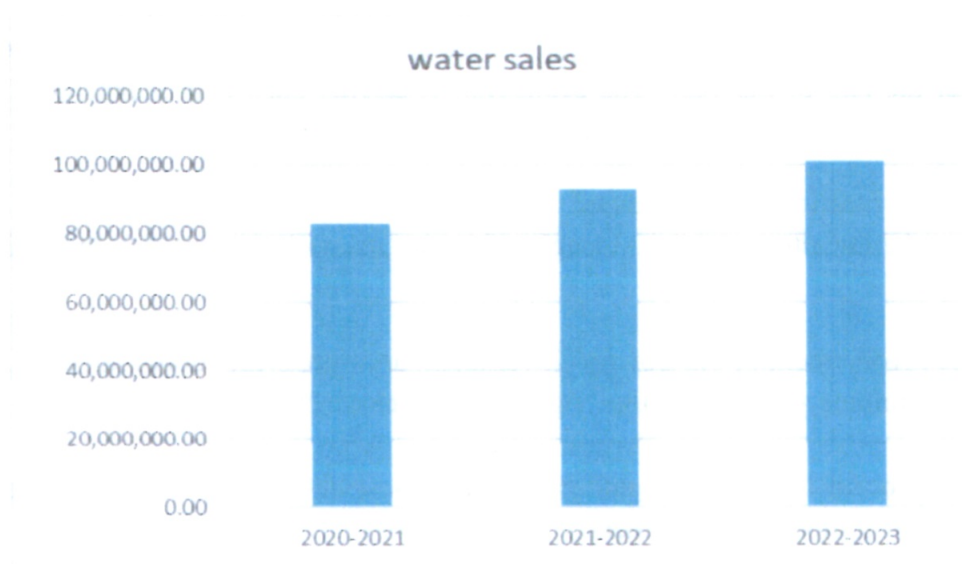
9. Management Discussion and Analysis

A. Sewer Connections

The company recorded increase in the total connections for water and growth for total sewer connections compared to previous financial year FY2021/2022. Below is a graphical presentation of the three-year growth in the number of total connections for both water and sewer;

B. Water Sales

The company recorded a growth in revenues arising from water sale in FY2022/2023 with sales worth KES. 101,081,876 compared to FY2021/2022 which recorded sales worth KES. 93,063,731. This was attributable to the growth in the number of active water connections and adoption of the new water tariff that took effect from March 2023. The company has experienced tremendous growth in its water sales over the past three financial years as depicted by the below pie chart;



C. Sewer Sales

The company acquired a new tariff comprising of sewer sales in March 2023 the FY2022/2023 with sales worth KES 5,952,956. This is attributable to the adoption of new water and sewer tariff that came into effect from March 2023 and higher water consumption by Commercial/Industrial customers where sewer is billed at 75% of water billed.

D. Exhauster Sales

The company offers exhausting services to the residents of Narok County at competitive market rates through its modern exhauster truck donated by CRVWWDA through KTSSWP. NARWASSCO also charges a flat fee of KES 15,000 per month to private exhausters to dump at its sewer facility. There was a growth of 0% in exhauster revenues from both private and company owned exhauster in FY2022/2023 recording KES 2,092,752 compared to FY2021/2022 with sales worth 1,069,006.

E. Future Plans

The company has focused on implementation of small projects both in the current and the entire service provision area in order to attain the following short-term objectives;

- ❖ Increase quantity of good quality water.
- ❖ Reduction of production costs by use of solar and other renewable sources of energy in the production sites
- ❖ Construct new reservoirs and increase supply hours to all serviced areas
- ❖ Reduce NRW to 23%
- ❖ Improve collection efficiency to over 95%
- ❖ Increase water coverage to over 90% through construction of new/replacing distribution lines in existing and new areas.

10. Environmental and Sustainability Reporting

NARWASSCO exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile -

According to the NARWASSCO 2017-2022 Strategic plan, improved operational and institutional performance is key to the sustainability of the company. NARWASSCO plans to optimise operational and institutional systems through the strategic objectives, strategies and strategic actions, these includes but not limited to Reduction of NRW to 23% through Development and implementation NRW Reduction Framework, Reduction of requisition process for issuance of materials for Operation and Maintenance by automization of processes, enhancing company risk management and compliance through reduction of the Company's exposure to risks and strengthening of internal control framework.

Financial sustainability is also critical to service delivery and on-going infrastructure development, maintenance and improvements. Efficient and effective resource mobilisation and management will help the company to move the business towards successful execution of strategic objectives and reaching its goals.

ii) Environmental performance

NARWASSCO is in the process developing an environmental policy that promotes sustainable environmental conservation practices such as restoration of water catchment areas, preserving ecosystems and biodiversity conservation. It also ensures awareness creation on climate change; impacts on water, adaptation and mitigation measures to improve on water resource to the people. Advocates on improving public and environmental health through sustainable, effective and efficient sanitation service delivery.

iii) Employee welfare

NARWASSCO through the Human Resource policy is committed to building a highly skilled and motivated workforce that will perform effectively in their positions as well as further the company mission. All recruitments are conducted in an open and transparent manner without undue influence from stakeholders, shareholders, members of the Board of Directors or any member of staff irrespective of their seniority.

The Policy guides on the company staff welfare services including counselling on personal problems, assistance with problems of health or sickness. It supports the formation of staff welfare initiatives and encourages employees to register as members of welfare associations formed by members of staff, as well as savings and co-operative society. Further to this NARWASSCO through the Human Resource Policy ensures that all employees comply with all applicable OSHA standards as required in the Occupational Safety and Health Act of 2007, (OSHA).

iv) Market place practices-

a) Responsible competition practice.

The Company annually advertises for registration and prequalification of Vendors in a print media with wide circulation giving opportunities to different categories including reservation of disadvantages groups. It also exercises open and transparent tendering process to ensure business integrity and ethics.

b) Responsible Supply chain and supplier relations

NARWASSCO maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.

c) Responsible marketing and advertisement

The company conducts water clinics, road shows and barazas in all the zones to interact with the customers and reach out to others who are not connected.

d) Product stewardship

The company carries out public participations during negotiation of tariff changes

v) Corporate Social Responsibility / Community Engagements

NARWASSCO in the FY2022/2023 participated in the World Water Day where the company used this opportunity to sensitise the community on the essence of consuming clean water and usage of proper sanitation facilities.

11. Report of Directors

The Directors submit their report together with the audited financial statements for the year ended 30th June 2022 which show the state of the NARWASSCO' affairs.

Principal activities

The **company's** main activity is the provision of affordable clean water and sewerage services to the residents of Narok Town Municipality and its environs.

Results

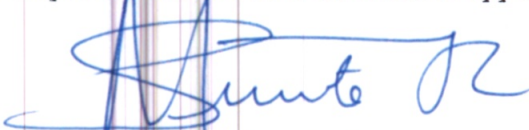
The results of the NARWASSCO for the year ended June 30, 2022 are set out on page 1 below.

Directors

The members of the **Board of Directors** who served during the year are shown on page (viii and ix). In accordance with Regulation of NARWASSCO's Articles of Association, All the Board Members have been appointed at once.

Auditors

The **Auditor General** is responsible for the statutory audit of NARWASSCO in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. The office of the auditor general was nominated by the Auditor General to carry out the audit of NARWASSCO for the year/period ended June 30, 2022 in accordance to section 23 of the Public Audit Act, 2015 which empowers the **Auditor General** to appoint an auditor to audit on his behalf.



By Order of the Board Chairperson

12. Statement of Directors' Responsibilities

The Directors submit their report together with the audited financial statements for the year ended 30th June 2023 which show the state of the NARWASSCO' affairs.

Principal activities

The company's main activity is the provision of affordable clean water and sewerage services to the residents of Narok Town Municipality and its environs.

Results

The results of the NARWASSCO for the year ended June 30, 2023 are set out on page 1 below.

Directors

The members of the Board of Directors who served during the year are shown on page (viii and ix). In accordance with Regulation of NARWASSCO's Articles of Association, All the Board Members have been appointed at once.

Auditors


The Auditor General is responsible for the statutory audit of NARWASSCO in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. The office of the auditor general was nominated by the Auditor General to carry out the audit of NARWASSCO for the year/period ended June 30, 2023 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

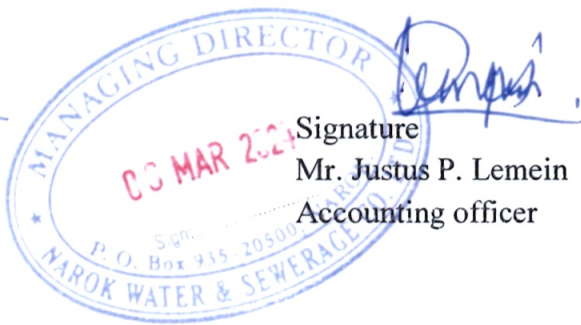
Statement of Board of Directors' Responsibilities (Continued)

Section 81 of the Public Finance Management Act, 2012 and 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 NARWASSCO at the end of the financial year/period and the operating results of NARWASSCO for that year/period. The Directors are also required to ensure that NARWASSCO keeps proper accounting records which disclose with reasonable accuracy the financial position of NARWASSCO. The Directors are also responsible for safeguarding the assets of NARWASSCO. The Board of Directors are responsible for the preparation and presentation of the NARWASSCO' financial statements, which give a true and fair view of the state of affairs of NARWASSCO for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes: Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of NARWASSCO; 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; Safeguarding the assets of NARWASSCO; Selecting and applying appropriate accounting policies; and Making accounting estimates that are reasonable in the circumstances. The Board of Directors accept responsibility for NARWASSCO' financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by Companies Act, 2015. The Board of Directors are of the opinion that NARWASSCO' financial statements give a true and fair view of the state of its transactions during the financial year ended June 30 2023, and of its financial position as at that date. The Board of Directors further confirm the completeness of the accounting records maintained for NARWASSCO which have been relied upon in the preparation of NARWASSCO financial statements as well as the adequacy of the systems of internal financial control. Nothing has come to the attention of the Board of Directors to indicate that NARWASSCO 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 NARWASSCO financial statements were approved by the Board on _____ 2024 and signed on its behalf by:

Signature 
Hon Rapanke Ole Samante
Chairperson of the Board


Signature
Mr. Justus P. Lemein
Accounting officer

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON NAROK WATER AND SEWERAGE 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 Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and overall 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 Narok Water and Sewerage Services Company Limited set out on pages 1 to 48, which comprise of 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

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 do present fairly, the financial position of 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 and do comply with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in Operating Revenue

The statement of profit and loss and other comprehensive income reflects operating revenue amount of Kshs.102,869,807 as disclosed in Note 5 to the financial statements. However, the amount includes revenue of Kshs.854,258 that was realized after billing one hundred fifty-four (154) customers without meter serial numbers, Kshs.1,244,939 realized after billing two hundred thirty-six (236) customers sharing meter numbers and Kshs.1,481,806 realized after billing five hundred eleven (511) customers whose meter status is disconnected/dormant, all totalling Kshs.3,581,003.

In the circumstances, the accuracy and completeness of the operating revenue amount of Kshs.102,869,807 could not be confirmed.

2. Unsupported Land Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.108,401,007 as disclosed in Note 15 to the financial statements. The balance includes asset additions of Kshs.61,184,150 out of which Kshs.52,180,000 was freehold land revaluation. However, the revaluation report and ownership documents were not provided for audit.

In the circumstances, the ownership, accuracy and completeness of the property, plant, and equipment balance of Kshs.52,180,000 could not be confirmed.

3. Long Outstanding Trade and Receivables

The statement of financial position reflects trade and receivables balance of Kshs.68,239,276 as disclosed in Note 18 to the financial statements. However, most of the balances were outstanding for more than one hundred and twenty (120) days and their recoverability was doubtful. Further, there was no evidence of measures put in place to recover the debts.

In the circumstances, the accuracy and fair statement of trade and receivables balance of Kshs.68,239,276 could not be confirmed.

4. Inaccuracies in Bank and Cash Balances

The statement of financial position reflects negative bank and cash balances of Kshs.231,181 as disclosed in Note 19 to the financial statements. However, the cashbook reflects negative balance of Kshs.5,952,553 resulting to unexplained variance of Kshs.6,467,318. In addition, the bank reconciliation statements reflects two (2) stale cheques amounting to Kshs.770,000 that had not reversed in the cash book. Further, the statement of cash flows reflects suspense amount of negative Kshs.2,960,929 (2022 - negative Kshs.1,854,062) which was not explained or supported.

In the circumstances, the accuracy and completeness of the bank and cash balance of negative Kshs.231,181 could not be confirmed.

5. Unsupported Refundable Deposits and Prepayments

The statement of financial position reflects refundable deposits and prepayments balance of Kshs.11,666,155 as disclosed in Note 25 to the financial statements. Included in the balance are customer deposits of Kshs.10,860,364. However, the deposits bank balance reflects an amount of Kshs.178,858 resulting to unexplained variance of Kshs.11,487,297. Further, review of supporting ledger revealed that the customer deposits were utilized on operational costs without evidence of approval.

In the circumstances, the accuracy, completeness and existence of refundable deposits and prepayments balance of Kshs.11,666,155 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management had not resolved the issues or given any explanations for failure to implement the recommendations.

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 matter 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

Other Matter

1. Unbudgeted Expenditure and Unbalanced Budget

The statement of comparison of budget and actual amounts reflects actual expenditure for the year amounting to Kshs.142,903,038 against the budgeted expenditure of Kshs.122,138,118 resulting to over-expenditure of Kshs.20,764,920 (17%) whose source was not explained. This was contrary to Regulation 31(e) of the Public Finance Management (County Governments) Regulations, 2015 which states that the total budget revenue shall cover total budget expenditure and therefore (i) except as provided by legislation, there shall be no use of specific revenue to finance specific expenditure and (ii) appropriation shall be for a specific purpose or a specific programme or item of expenditure.

Further, the statement reflects total revenue budget of Kshs.123,609,173 and total expenditure budget of Kshs.122,138,118 resulting to unbalanced budget of Kshs.1,471,055. This was contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which states that budget revenue and expenditure appropriations shall be balanced.

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

2. Non-Revenue Water

The Company produced 1,205,445 cubic meters (M³) of water out of which 795,853 cubic meters were billed to customers at Kshs.92,017,100. The balance of 409,592 m³ (or 34%) represented Unaccounted For Water (UFW) valued at Kshs.24,575,520. The loss is 9% above the allowable threshold of Non-Revenue Water (NRW) of 25% as provided for by the Water Services Regulatory Board (WASREB) guidelines. Further, there was no evidence of standard operating procedures for non-revenue water functions or mechanisms put in place to limit the revenue loss.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the

financial statements comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Failure to Develop a Risk Management Strategy

The Company does not have a risk management policy to guide Management in risk evaluation and decision making. This was contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to develop risk management strategies, which include Fraud Prevention Mechanism and internal control that builds robust business operations.

In the circumstances, the effectiveness of the risk management, strategies and controls in place could not be confirmed.

2. Lack of an Internal Audit Function

The Company does not have an internal audit function. This was contrary to Section 155(1)(a) of the Public Finance Management Act, 2012 which requires a County Government entity to have appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board. It was noted that a staff from the accounts department was assigned internal audit duties but there was no evidence of work done.

In the circumstances, the independent assurance on the effectiveness of internal controls, risk management and overall governance could not be confirmed

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, I report based on my audit, that:

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify

my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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

17 April, 2024

Narok Water and Sewerage Services Company Limited
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	2022-2023	2021-2022
		Kshs	Kshs
Revenue			
Operating Revenue	6	102,869,807	93,063,731
Grants Income	7	30,099,307	64,212,741
Total Revenue		132,969,114	157,276,472
Expenses			
Staff Costs	8	44,754,191	44,849,107
General and Operations expenses	9	64,809,698	68,071,060
Board Expenses	10	2,858,380	5,069,100
Maintenance Expenses	11	15,926,511	16,381,451
Depreciation and Amortization expenses	12	10,111,128	7,583,148
Finance Costs	13	140,268	-
Total Expenses		138,600,176	141,953,866
Profit/(Loss) Before Taxation		(5,631,062)	15,322,606
Income Tax Expense/(Credit)	17	-	-
Profit/(Loss) After Taxation		-	15,322,606
Earnings Per Share – Basic and Diluted	18	-	-
Dividend per share	19	-	-
Other Comprehensive Income			
Profit/ (Loss) After Taxation		(5,631,062)	15,322,606
Surplus Or Deficit on Revaluation Of PPE	22	52,180,000	-
Remeasurement 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		46,548,938	15,322,606

Narok Water and Sewerage Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

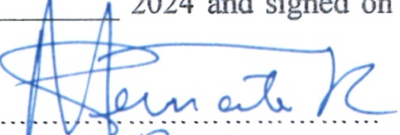
15. Statement of Financial Position As at 30 June 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Non-current assets			
Property, plant and equipment	16	108,401,007	54,625,186
Intangible assets	17	5,405,601	-
Total non-current assets		113,806,608	54,625,186
Current assets			
Inventories	18	394,676	166,330
Trade and receivable	19	68,239,276	58,111,258
Bank and cash balances	20	(231,181)	846,734
Total non-current assets		68,402,771	59,124,322
Total Assets		182,209,379	113,749,508
Equity and liabilities			
Capital and Reserves			
Ordinary share capital	21	100,000	100,000
Capital grants	29	88,966,003	71,853,453
Revaluation reserve	22	52,180,000	
Retained earnings	30	(23,074,944)	(17,443,882)
Capital and Reserves		118,171,059	54,509,571
Non-current liabilities			
Borrowings	28	11,304,908	10,573,118
Total non-current liabilities		11,304,908	10,573,118
Current liabilities			
Trade and other payables	25	41,067,257	37,806,455
Refundable deposits and Prepayments	26	11,666,155	10,860,364
Total current liabilities		52,733,412	48,666,819
Total equity and liabilities		182,209,379	113,749,508

The financial statements were approved by the Board on _____ 2024 and signed on its behalf by:


Name Justin Lemou
Managing Director


Name DALTON LETINA
Head of Finance


Name RAPANICE Samuti
Chairman of the Board



16. Statement of Changes in Equity for the Year Ended 30 June 2023

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
As at July 1, 2021		100,000		-	(32,766,487)	-	45,556,253	12,889,766
New capital issued		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	15,322,606	-	-	15,297,200
Capital/Development grants received during the year		-	-	-	-	-	26,297,200	26,297,200
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
As at June 30, 2022		100,000	-	-	(17,443,882)	-	71,853,453	54,509,571
As at July 1, 2022		100,000	-	-	(17,443,882)	-	71,853,453	54,509,571
Profit for the year		-	-	-	(5,631,062)	-	-	(5,631,062)
Capital/Development grants received during the year		-	-	-	-	-	17,112,550	17,112,550
Revaluation gain			52,180,000					
At June 30, 2023		100,000	52,180,000	-	(23,074,944)	-	88,966,003	118,171,059

Narok Water and Sewerage Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

17. Statement of Cash Flows for the Year Ended 30 June 2023

	Note	2023	2022
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts	6	102,869,807	
Grants Income	7	30,099,307	
Customer Deposits		805,791	685,050
Total Receipts		132,969,114	
Payments			
Staff Costs	8	44,754,191	44,849,107
General And Operation Expenses	9	65,326,966	68,071,060
Board Expenses	10	2,858,380	5,069,100
Maintenance Expenses	11	15,926,511	16,381,451
Finance Costs	13	140,268	
Refund Of Customer Deposits			
Total Payments		129,006,316	
Net Cash From/ (Used In) Operating Activities		3,962,798	(465,900)
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)- KETRACO Line Cash item	16	(2,811,574)	3,976,864
Net Cash From/ (Used In) Investing Activities		(2,811,574)	3,976,864
Cash Flows from Financing Activities			
Proceeds From Issues of New Share Capital			-
Proceeds From Borrowings internal	35	731,790	-
Net Cash From/(Used In) Financing Activities		731,790	-
Increase/(Decrease) In Cash and Cash Equivalents		1,883,014	-
Cash And Cash Equivalents At Beginning Of Year		846,734	(1,495,218)
Effects Of Foreign Exchanges Rate Fluctuations		-	-
Suspense		(2,960,929)	(1,854,062)
Cash And Cash Equivalents At End of the Year		(231,181)	846,734

18. Statement of Comparison of Budget & Actual Amounts for the Period Ended 30 June 2023

	Original budget	Adjustment s	Final budget	Actual on comparable basis	Performance difference	% of utilizatio n
	a	b	C=a+b	d	e= c-d	f=d/c %
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Operating Revenue	103,976,800	-	103,976,800	102,869,807	1,106,993	97
Grants	19,632,373	-	19,632,373	30,099,307	-10,466,934	153
Total Revenue	123,609,173	-	123,609,173	132,969,114	-9,359,941	
Expenses						
Staff Costs	49,668,808	-	49,668,808	44,754,191	4,914,617	90
Board Expenses	4,000,000.	-	4,000,000	2,858,380	1,141,620	115
General and operations Expenses	52,556,280	-	52,556,280	65,326,966	-12,770,686	122
Maintenance	13,100,530	-	13,100,530	15,926,511	-2,825,981	101
Finance costs	-	-	-	140,268	-140,268	
Total Recurrent Expenditure	119,325,618	-	119,325,618	139,117,444	-19,791,826	106
Profit or Loss	1,471,055	-	1,471,055	-6,148,330	7,619,385	
Capital Expenditure	2,812,500	-	2,812,500	15,916,558	-13,104,058	
Total Expenditure	122,138,118	-	122,138,118	142,903,038	-20,764,920	117

19. Notes To Financial Statements

1. General Information

NARWASSCO Company Ltd is established by and derives its authority and accountability from Water Act. The Company is wholly owned by the Narok County Government and is domiciled in Kenya. The Company's principal activity is Water and sewer provision. 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 in *Kenya shillings*.

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 WASREB regulations and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

Narok Water and Sewerage Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the financial statements (continued)

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 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.	Effective for annual periods beginning on or after 1 st January 2023.
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.

Notes to the Financial Statements (Continued)

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.
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.

iii. Early adoption of standards

(The entity) did not early – adopt any new or amended standards in year under review.

Notes to the financial statements (continued)

Summary of Accounting Policies

a) 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.

b) 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.

Summary of Accounting Policies

c) 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:

Narok Water and Sewerage Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

Item	Years	Rates
Freehold Land	-	-%
Leasehold Land	-	-%
Buildings and civil works	25	4%
Infrastructure works	25	4%
Plant and machinery	12.5	8%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3	33 1/3%
Office equipment, furniture and fittings	12.5	8%

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.

d) 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.

Summary of Accounting Policies

e) 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.

f) 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.

Summary of Accounting Policies

g) 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.

h) 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 (FVOCI).

i) 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.

Summary of Accounting Policies

j) 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 (FVTPL).

k) 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/ FIFO (*Whichever is applicable*). Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

l) 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. No disclosure on write of was disclosed during the year.

Notes to the financial statements (continued)
Summary of Accounting Policies

m) 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.

n) 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.

Notes to the financial statements (continued)

Summary of Accounting Policies

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.

o) 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.

Notes to the financial statements (continued)
Summary of Accounting Policies

p) 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.

q) 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.

r) 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.

Summary of Accounting Policies

s) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2022. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. 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.

t) 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.

u) 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.

Summary of Accounting Policies

v) Budget information

The original budget for FY 2022-2023 was approved by the Board of Directors on 17/06/2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of 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 1 of these financial statements.

Notes to the financial statements (continued)
Summary of Accounting Policies

w) 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.

x) Comparative figures

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

y) 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.

4. 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.

Notes to the financial statements (continued)
Summary of Accounting Policies

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 19.

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 as per our debt management policy and other considerations that are best explained in the policy regarding the provision of bad debts the management considerations on provision of bad debts rate is 2% on all debts that are more than 120 days old.

Narok Water and Sewerage Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the financial statements (continues)

5. Operating Revenue

	2022-2023	2021-2022
	Kshs	Kshs
Water sales	92,017,100	91,994,725
Sewerage Services	5,952,956	-
Exhauster Income	1,574,250	1,069,006
Billing for other services	3,325,501	-
Total	102,869,807	93,063,731

6. Grants Income

	2022-2023	2021-2022
	Kshs	Kshs
Operational grants from Narok county government and WSTF(7a)	27,151,507	58,688,199
Donations from County Governments note 8 seconded staff	2,947,800	5,524,542
Total	30,099,307	64,212,741

7(a) Detailed analysis of grants received from the Government

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2022-2023 KShs
Narok county government- Ntulele psf 16% contributions	991,875	-	-	-	991,875
Narok County- Electricity Bills	12,124,908	-	-	-	12,124,908
Ketraco Line Extension	3,791,650	-	-	-	3,791,650
Narok County Mosiro Borehole	247,863	-	-	-	247,863

Narok Water and Sewerage Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

Rehabilitation					
Narok county- Ilmashariani Transformer	2,547,063	-	-	-	2,547,063
Narok County-Pumps Repairs	4,660,248	-	-	-	4,660,248
Narok county- Board of Directors induction	2,787,900	-	-	-	2,787,900
Total	27,151,507				27,151,507

Notes to the financial statements (continued)

7. Staff Costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Gross Salary and Allowances(P&P)	32,723,622	38,999,161
Casual workers' Wages	1,530,300	136,308
Medical insurance schemes		-
Employer's contributions to social security schemes(NSSF)	564,400	200,200
Employer's contributions to pension scheme	-	-
Leave pay	362,000	-
Gratuity provisions	814,841	1,337,526
Staff welfare	-	616,800
Other allowances	-	-
Gross salaries seconded staff	2,947,800	2,337,680
Top up Allowances seconded staff	1,576,712	1,221,432
Gross salary contract-management	3,588,940	-
Gross salary contract-staff	645,576	-
Total	44,754,191	44,849,107
The average number of employees during the year	87	88

- One staff was seconded to Narok County as the Kilgoris municipal manager for 5 years.

Narok Water and Sewerage Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

8. General and Operations Expenses

	2022-2023	2021-2022
Description	Kshs	Kshs
Chemicals	24,021,459	15,674,823
Electricity	13,819,108	10,793,525
Fuel, oil, lubricants, and gases	2,470,152	6,756,169
Local transport	2,040,468	3,530,167
Performance guarantee	-	981,868
Water Abstraction fees-WARMA	1,611,698	716,035
Office supplies	882,911	2,862,392
Uniform and protective clothing	75,952	107,400
Telecommunication	255,986	259,886
Electricity Water and sewerage	134,539	59,412
Insurance	1,667,811	271,016
Rent and Rates	180,000	180,000
Domestic Traveling and subsistence	4,362,082	7,510,321
Staff training and development	-	446,200
Bank charges	-	119,196
Computer and internet expenses	386,671	1,265,230
Security services	3,420,000	2,949,250
Stationeries and computer peripherals	1,119,084	895,604
Bulk SMS	40,000	97,400
Publicity and advertising	43,500	152,680
Audit fees-Provision	232,000	232,000
Licensing and levies-WASREB	4,114,792	4,006,142
License Fees-WASREB	79,644	-
Provision for WASPA fees	55,000	55,000
Sports and recreation-WASCO	368,290	
Hospitality expenses	1,266,360	1,427,782
Miscellaneous expenses	152,500	418,200
Consultancy fees	500,050	-
Staff welfare	67,000	-
Provision for WASCO Fees	50,000	50,000
Provision for doubtful debts	1,392,638	6,253,362
Total	64,809,698	68,071,060

Notes to the financial statements (continued)

9. Board Expenses

Description	2022-2023	2021-2022
	KShs	KShs
Chairman Honoraria	175,000	-
Sitting allowances and board induction	2,602,180	5,069,100
Medical Insurance	-	-
Travel and accommodation	81,200	-
Other allowances	-	-
Total Board Expenses	2,858,380	5,069,100

10. Maintenance Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Plant and Equipment	2,218,500	15,793,525
Buildings	104,210	-
Purchase of fittings for repairs	1,151,320	-
Infrastructural networks	8,669,711	-
Purchase of Ilmashariani transformer	2,547,063	-
Motor vehicles	1,235,707	587,926
Total Maintenance Expenses	15,926,511	16,381,451

11. Depreciation and Amortization Expenses

Description	2022-2023	2021-2022
	KShs	KShs
Property, plant, and equipment	7,408,329	7,583,148
Intangible assets	2,702,799	-
Total Depreciation and Amortization	10,111,128	7,583,148

Narok Water and Sewerage Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

12. Finance Cost

Description	2022-2023	2021-2022
	KShs	KShs
Bank Charges	140,268	
Total Depreciation and Amortization	140,268	-

13. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax of Kshs. 0 (2021-2022: KShs. 0) by the average number of ordinary shares in issue during the year of 0 (2021/2022: 0). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

14. Dividend Per Share

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM to be held before the end of 2023, a final dividend in respect of the year ended June 30, 2022 of Kshs. 0(2022: Kshs. 0) for every ordinary share of par value of KShs. 0 is to be proposed. An interim dividend of Kshs. 0 (2022: Kshs. 0) for every ordinary share of par value of KShs. 0 was declared and paid during the year.

Notes to the financial statements (continued)

15. Property, Plant and Equipment

2022	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
Cost Or Valuation									
At July 1, 2021	1,500,000	32,990,683	-	7,465,384	6,340,000	1,216,554	1,084,935	498,193	51,095,749
Additions	-	1,545,500	-	1,669,476	23,000,100	-	761,888	-	26,976,964
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
At June 30, 2022	1,500,000	34,536,183	-	9,134,860	29,340,100	1,216,554	1,846,823	498,193	78,072,713
Depreciation									
At July 1, 2021	-	3,906,096	-	3,594,925	6,412,030	1,006,664	944,664	-	15,864,379
Charge For the Year	-	1,225,203	-	443,195	5,732,018	69,963	72,173	-	7,542,552
Impairment Loss	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-	-
At June 30, 2022	1,500,000	5,131,299	-	4,038,120	12,144,07	1,076,627	1,057,434	498,193	23,447,527
Net Book Value At June 30, 2022	1,500,000	29,404,884	-	5,096,740	17,196,053	139,927	789,389	498,193	54,625,186

[WIP is Olpopongi Kiosk Donated by WSTF]

Notes to the financial statements (continued)

Property, Plant and Equipment (Continued)

	Freehold land	Buildings & civil works	Water & Sewer Infrastru cture	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	WIP	Total
2023									
Cost or valuation									
As at 1 July 2022	1,500,000	34,536,183	-	9,134,860	29,340,100	1,216,554	1,846,823	498,193	78,072,713
Additions	52,180,000	2,811,574	-	-	5,212,500	-	-	980,076	61,184,150
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
As at 30th June 2023	53,680,000	37,347,757	-	9,134,860	34,552,600	1,216,554	1,846,823	1,478,269	139,256,863
Depreciation									-
At July 1, 2022	-	5,131,299	-	4,038,120	12,144,047	1,076,627	1,057,434	-	23,447,527
Charge for the year	-	1,288,658	-	407,739	5,602,138	46,642	63,151	-	7,408,329
As at 30th June 2023	-	6,419,957	-	4,445,859	17,746,185	1,123,269	1,120,585	-	30,855,856
Net book value	53,680,000	30,927,800	-	4,689,001	16,806,415	93,285	726,238	1,478,269	108,401,007
At June 30, 2023	53,680,000	30,927,800	-	4,689,001	16,806,415	93,285	726,238	1,478,269	108,401,007

Notes to the financial statements (continued)

Valuation

Land and buildings were not valued

16 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	53,680,000	0	53,680,000
Buildings	37,347,757	6,419,957	30,927,800
Plant and machinery	9,134,860	4,445,859	7,032,299
Motor vehicles, including motorcycles	34,552,600	17,746,185	16,806,415
Computers and related equipment	1,216,554	1,123,269	93,285
WIP	1,478,269	0	1,478,269
Office equipment, furniture, and fittings	1,846,823	1,120,585	726,238
TOTALS	139,256,863	30,855,856	108,401,007

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Plant and machinery	12,180,116	611,504
Buildings and civil works	37,347,757	1,288,658
Motor vehicles, including motorcycles	34,552,600	5,602,138
Computers and related equipment	1,216,554	46,642
Office equipment, furniture and fittings	1,846,823	63,151
WIP	1,478,269	-
Total	139,256,863	7,408,329

Notes to the financial statements (continued)

16. Intangible Assets

	2022-2023	2021-2022
	Kshs	Kshs
Cost		
At July 1	90,500	90,500
Additions	8,108,400	
Disposals		
At June 30	8,198,900	90,500
Amortization		
At July 1 st	90,500	90,500
Charge for the year (33 1/3%)	2,702,799	-
Disposals	-	
Impairment loss	-	
Total amortization as at 30th June	2,793,299	90,500
At June 30	2,793,299	90,500
Net book value	5,405,601	-
At June 30	5,405,601	-

17. Inventories

	2022-2023	2021-2022
	Kshs	Kshs
General stores		-
Chemicals & Laboratory items	263,434	166,330
Available water for sale as at 30 th June 2023	131,242	-
Total	394,676	166,330

[Water for stock]

Trade and Other Receivables

	2022-2023	2021-2022
	KShs	KShs
Trade receivables (note (29a))	69,631,914	58,011,258
Unpaid shareholding	-	100,000
Gross trade and other receivables	69,631,914	58,111,258
Provision for bad and doubtful receivable 2%	(1,392,638)	
Net trade and other receivables	68,239,276	58,111,258

19. (a) Trade Receivables

	2022-2023	2021-2022
	Kshs	Kshs
Gross trade receivables	69,631,914	64,264,620
Provision for doubtful receivables	(1,392,638)	(6,253,362)
Net trade receivables	68,239,276	58,011,258
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days		
Between 30 and 60 days	-	
Between 61 and 90 days	-	
Between 91 and 120 days	-	
Over 120 days	69,631,914	64,264,620
Total	69,631,914	64,253,362

18. Bank and Cash Balances

	2022-2023	2021-2022
	Kshs	Kshs
Cash at bank	(374,793)	770,000
Cash in hand	0	0
Mobile money account	143,612	76,734
Totals	(231,181)	846,734

Notes to the financial statements (continued)

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2022-2023	2021-2022
		KShs	KShs
a) Current account			
NATIONAL BANK-Operations account	01003042177902	(640,085)	630,418
NATIONAL BANK-Collection account	01003042177900	38,782	18,402
NATIONAL BANK-Deposits account	01003042177901	171,858	34,888
NATIONAL BANK-Exhauster account	01003042177906	54,652	86,292
Sub- total			770,000
b) On – call deposits			
Commercial banks			
Others			
Sub- total			
c) Fixed deposits account			
Other Commercial banks			
Others			
Sub- total			
Sub- total			
d) Others(specify)			
Cash in transit			
Cash in hand			
Mobile money account utility		1,000	76,734
Mobile money account organizational		142,612	
Sub- total			
Grand total		(231,181)	846,734

19. Ordinary Share Capital

	2022-2023	2021-2022
	Kshs	Kshs
Authorized:		
5000 ordinary shares of Kshs.20 par value each	100,000	100,000
Issued and fully paid:		
5000 ordinary shares of Kshs. 20 par value each	100,000	100,000

Notes to the financial statements (continued)

20. Revaluation Reserve

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

	2022-2023	2021-2022
Revaluation Reserve	Kshs	Kshs
Revaluation Reserve		
Freehold land	52,180,000	0
Total revaluation gain	52,180,000	0

21. Fair Value Adjustment Reserve

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

22. Retained Earnings

The retained earnings represent amounts available for distribution to the *entity's* shareholders. Undistributed retained earnings are utilised to finance the *entity's* business activities.

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 2,160 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by CPF Pension Fund. Employees contribute 3% while employers contribute 3% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

Narok Water and Sewerage Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

23. Trade and Other Payables

Payables	2022-2023	2021-2022
	Kshs	Kshs
WASREB levy	15,759,707	11,800,142
Office of the OAG.	2,656,000	2,424,000
Net Salaries	-	1,691,077
Gratuity	1,892,422	1,636,742
CPF Financial services Limited	-	279,282
Nation Media and standard plc	311,576	-
Shree Hari.	218,070	-
HAB POWER and water ltd	931,320	296,970
Integrated great lakes	469,270	469,270
Milsem Enterprises Limited	332,400	482,400
Nairobi Iron Mongers	702,166	702,166
Wagtech Africa Limited	139,200	
Rarinah company limited	746,874	746,874
Galaxy water and power limited	1,420,220	
Caselab	547,682	-
Illaramucii Enterprises	266,000	
Loshon Suppliers	414,000	-
Sian Enterprises Limited	-	100,000
WASCO	160,000	110,000
WASPA	450,300	290,300
Shield Park Villa Hotel	-	537,300
Nosim Security Guards	570,000	-
Consultancy fees-Rarinah Company Limited	746,874	746,874
EASYCHEM	2,066,004	1,464,240
Family Bank Loans	747,866	748,519
Mwalimu National Sacco	-	8,578
NCBA Loans	347,227	175,357
Platinum Credit Limited	10,641	10,641
PS Ministry of Housing	288,000	216,000
HELB	34,072	34,072
PAYE	-	338,403
NHIF	-	242,135
CRWWDA	4,367,604	4,367,604
PAN Africa Chemicals	1,731,068	1,450,000
KPLC	1,836,951	2,229,436
NCG- rent arrears	-	4,908,000
APA insurance	-	379,893
WARMA-	1,650,617	369,220
NAIVASHA WATER	-	72,910
TOTALS	41,067,257	37,806,455

Aging Analysis for Trade and other Payables

	2022-2023	% of the total	2021-2022	% of the total
Under one year	15,867,365	40%		
1-2 years	7,521,076	19%		
2-3 years	3,836,492	10%		
Over 3 years	12,183,438	31%		
Total	41,067,257	100%		

24. Refundable Deposits and Prepayments

	2022-2023	2021-2022
	Kshs	Kshs
Customer deposits	10,860,364	9,277,121
Prepayments by customers	805,791	1,583,243
Total	11,666,155	10,860,364

Aging Analysis for Refundable Deposits and Prepayments

	2022-2023	% of the total	2021-2022	% of the total
Under one year	805,791	7%	1,583,243	15%
1-2 years	3,805,943	33%	3,240,620	30%
2-3 years	1,017,920	9%	6,036,501	56%
Over 3 years	6,036,501	52%	-	-
Total	11,666,155		10,860,364	

28. Borrowings

Description	2021-2022	2020-2021
	KShs	KShs
a) External Borrowings		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	-	-
Balance at end of the year	-	-
b) Domestic Borrowings		
Balance at beginning of the year	10,573,118	9,452,293
Domestic borrowings during the year	731,790	1,120,825
Repayments during the year	-	-
Balance at end of the year	11,304,908	10,573,118
C) Total Balance at end of the period c = a+b	11,304,908	10,573,118

29. Capital Grants

	2022/2023	2021/2022
	Kshs	Kshs
Grant Bal B/f	71,853,453	45,556,253
Additions-WSTF	-	3,297,100
Additional- CRVWDA	13,320,900	23,000,100
Ketraco Line extension	3,791,650	-
Total	88,966,003	71,853,453

30. Retained Earnings

	2022/2023	2021/2022
	Kshs	Kshs
Balance b/f (deficit)	(17,443,882)	(32,766,488)
Surplus/deficit for the year	(5,631,062)	15,322,606
Total	(23,074,944)	(17,443,882)

Notes to the financial statements (continued)

Other Disclosures

31. Related Party Disclosures

County Government of NAROK

The County Government of Narok is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of Narok 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 Narok
- Central Rift Valley Water works Agencies
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- Japanese International corporation agency(JICA)

Transactions with related parties

	2022-2023	2021-2022
	Kshs	Kshs
a) Sales to related parties		
Water sales to Govt. agencies		
Total		
b) Purchases from related parties		
Purchase of water from govt service providers-Naivawasco	72,910	-
Bank charges paid to Govt Commercial banks	140,268	119,196
Total	213,178	119,196
b) Grants from the Government		
Grants from County Government	27,151,507	58,688,199
Donations in kind	2,947,800	5,524,542
Total	30,099,307	64,212,741
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for Seconded employee	1,576,712	1,221,432
Total	1,576,712	1,221,432
d) Key management compensation		
Directors' emoluments	2,858,380	5,069,100
Compensation to key management	3,588,940	-
Total	8,195,340	5,069,100

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

Notes to the financial statements (continued)

(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:

Credit Risk (Continued)

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.

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

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the 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.

(iii) Market risk (*Tailor as appropriate*)

The board has put in place an internal audit function to assist it in assessing the risk faced by the Company 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 optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

a) Foreign currency risk

The Company has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

Notes to the financial statements (continued)

(iii) Market risk (Continued)

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

The Company manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

Notes to the financial statements (continued)

b) Foreign currency sensitivity analysis

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable change in the exchange rate of the three main transaction currencies, with all other variables held

constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

c) 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 endeavoured to bank with institutions that offer favourable 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:

	2022-2023	2021-2022
	Kshs	Kshs
Revaluation reserve	52,180,000	
Retained earnings	(23,592,212)	
Capital reserve	88,966,003	
Total funds	117,553,791	
Total borrowings	731,790	
Less: cash and bank balances		
Net debt/ (excess cash and cash equivalents)	(231,181)	
Gearing	118,054,400	

33. Incorporation

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

34. Events After the Reporting Period

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

20. Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	<p>1. Irregular Water Sales</p> <p>The statement of profit and loss and other comprehensive income reflects operating revenue of Kshs.93,063,731 and as disclosed in Note 6 to the financial statements. The amount includes water sales of Kshs.91,994,725. However, 414 connections were sharing meter numbers with only one account billed while the other accounts were unbilled. Further, the customers were billed using tariffs that had expired in the year 2014.</p> <p>In the circumstances, the accuracy and completeness of the reported water sales totalling to Kshs.91,994,725 for the year ended 30 June, 2022 could not be confirmed</p>	<p>The management has noted the duplication of meter serial numbers and has effectively corrected the abnormally.</p> <p>Currently the company has implemented a sophisticated new billing system and new tariff is also into effect from march 2023</p>	RESOLVED	2years
2.0	<p>2. Board Expenses</p> <p>The statement of profit or loss and other comprehensive income reflects board expenses amounting to Kshs.5,069,100. The amount relates to sitting allowances expenditure as disclosed in Note 13 to the financial statements. However, the sitting allowances expenditure was</p>	<p>The management has provided a board calendar, board minutes book and attendance register for review.</p> <p>However, the management acknowledges paying ex-officio for sitting allowances and has put stringent measures to cab this</p>	RESOLVED	

Narok Water and Sewerage Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>not supported with notice of meetings, board meetings calendar, allowances paid to each member, attendance lists and approved sitting allowances rates. Further, sitting allowance amounting to Kshs.433,000 was paid to ex officio members.</p> <p>In the circumstances, the accuracy and validity of sitting allowances totalling to Kshs.5,069,100 for the year ended 30 June, 2022 could not be confirmed.</p>	<p>abnormally.</p> <p>The management has attached the board ledger, payment schedules and attached attendance list.</p>		
3.0	<p>3. General and Operating Expenses</p> <p>The statement of profit or loss and other comprehensive income reflects general and operating expenses amounting to Kshs.68,071,060 as disclosed in Note 12 to the financial statements. The following anomalies were however noted:-</p> <p>3.1 Fuel, Oils and Lubricants</p> <p>Included in the amount is fuel, oil and lubricants expenditure of Kshs.6,756,169 which includes expenditure of Kshs.1,600,000 that was not supported with user requisitions, local purchase orders, invoices, motor vehicle work tickets and quotations.</p>	<p>The management has provided invoices, attendance list and ledger in regards to hospitality and entertainment.</p> <p>The overpayment was in adverted the details of the expenditure are provided for in the ledger</p>	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>3.2 Hospitality and Entertainment</p> <p>Included in the general and operating expenses is hospitality and entertainment expenditure totalling to Kshs.1,427,782. However, the payment vouchers, user requisitions, quotations, local services orders, invitation letters and attendance registers in support of the expenditure were not provided for audit review. Further, the hospitality and entertainment expenditure includes Kshs.941,860 which varied with the supporting invoice amounts of Ksh.469,140 resulting to an overpayment of Kshs.472,720. No explanation has been provided for the overpayment.</p> <p>In the circumstances, the accuracy and validity of general and operating expenses amounting to Kshs.68,071,060 for the year ended 30 June, 2022 could not be confirmed.</p>			
4.0	<p>4. Trade and Other Receivables</p> <p>The statement of financial position reflects trade and other receivables balance of Kshs.58,111,258 as disclosed in Note 29 to the of financial statements. The following unsatisfactory matters were however noted:-</p>	<p>The management is and advance stage in developing a management policies through the help of county government and other development partners. The company has provided for the correct amount for</p>	<p>Policy in place</p>	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>4.1 Provision for Bad and Doubtful Debts</p> <p>The balance is net of provision for bad and doubtful debts of Kshs.6,253,362 or 11% of the trade and receivable balance of as at 30 June, 2022. However, the basis for the provisions for the bad and doubtful debts policy has not been documented or disclosed in the financial statements.</p> <p>4.2 Long outstanding Receivables</p> <p>The trade receivables balance includes long outstanding receivables of Kshs.6,253,362 as reflected in Note 29(a) of the financial statements which have remained uncollected for over 120 days.</p> <p>In the circumstances, the accuracy and fair statement of the trade and other receivables balance of Kshs.58,111,258 as at 30 June, 2022 could not be confirmed.</p>	<p>the provision for bad debts as and expense and net trade receivables also reflected in the statement of financial position.</p>		
5.0	<p>5. Property, Plant and Equipment</p> <p>5.1 Depreciation Charge</p> <p>The statement of financial position reflects property, plant and equipment balance of Kshs.54,625,186 and as disclosed in Note 20 to the financial statements. The balance is net of</p>	<p>The depreciation rate used was correct and the amount charged for the year were subsequently posted correctly to the Financial statements. This anomaly has been corrected to the notes. 1. Buildings and civil works 4% or 25</p>	resolved	

Narok Water and Sewerage Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>depreciation charge for the year of Kshs.7,583,148. However, policy 4(d) to the financial statements does not clearly indicate the method used in computing the depreciation charge. Further, depreciation on plant and machinery balance of Kshs.443,195 differs with the recomputed balance of Kshs.692,492 resulting to an unexplained and unreconciled variance of Kshs.249,297.</p> <p>5.2 Capital Work in Progress</p> <p>The statement of financial position and as disclosed in Note 20 to financial statements reflects property, plant and equipment balance of Kshs.54,625,186. Included in the balance is work-in-progress of Kshs.498,193 in respect of a water kiosk in Olpopongi whose construction was completed but has not been put into use or capitalized under building and civil works.</p> <p>In the circumstances, the accuracy, valuation and fair statement of the property, plant and equipment balance of Kshs.54,625,186 as at 30 June, 2022 could not be confirmed</p>	<p>years useful life 2.Plant and machinery 8% or 12.5 years useful life 3.Motor vehicles, including, motor cycles 25% or 4 years useful life 4.Office equipment, furniture & fittings 33 1/3 or 3 years useful life 5.Office equipment, furniture & fittings 8% or 12.5 useful</p>		
6.0	<p>6. Repairs and Maintenance</p> <p>The statement of profit or loss and other comprehensive income reflects maintenance</p>			

Narok Water and Sewerage Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>expenses of Kshs.16,381,451 as detailed in Note 14 to the financial statements. The amount includes plant and equipment expenditure totalling to Kshs.15,793,525. However, the expenditure included Kshs.2,904,828 that was not supported with user requisitions, local purchase/service orders, ETR receipts and inspection and acceptance reports.</p> <p>In the circumstances, the accuracy and propriety of the repairs and maintenance expenditure of Kshs.2,904,828 for the year ended 30 June, 2022 could not be confirmed</p>			
7.0	<p>7. Cash and Bank Balances</p> <p>The statement of financial position reflects a bank and cash balances of Kshs.846,734 as disclosed in Note 32 to the financial statements. The amount includes bank balance of Kshs.770,000 which differed with the cashbook balance of negative Kshs.630,418 resulting into an unexplained and unreconciled variance of Kshs.1,400,418. Further, the statement of cash flows is not accurately presented. In addition, no journal entries were provided to correct an overdraft of Kshs.2,484,915 which had not been approved. In the circumstances, the accuracy and fair statement</p>	Reconciled		

Narok Water and Sewerage Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	of the cash and bank balance of Kshs. 770,000 as at 30 June, 2022 could not be confirmed.			
8.0	<p>8. Capital Reserves</p> <p>The statement of financial position reflects capital reserve balance of Kshs. 71,853,453. The amount includes grants from Water Services Trust Fund and Rift Valley Water Services Board of Kshs. 3,297,100 and Kshs. 23,000,100 respectively totalling to Kshs. 26,297,200. However, the grant agreement with the Trust Fund was not provided. Further, the Water Service Board grant relates to donation of two exhausters and two motorcycles. However, the possession and ownership of the two exhausters and two motorcycles have not been transferred to the Company.</p> <p>In the circumstances, the accuracy and fair statement of capital reserve balance of Kshs. 71,853,453 as at 30 June, 2022 could not be confirmed.</p>	Provided		
9.0	<p>9. Inaccuracies in the Statement of Cash Flows</p> <p>A review of the statement of cash flows revealed the following anomalies:</p> <p>i) The statement reflects cash generated from</p>			

Narok Water and Sewerage Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>operations amounting to negative Kshs.465,900 which includes increase in trade and other receivables amount of Kshs.965,120 as reflected in Note 49 to the financial statements. However, the amount differs with the recomputed amount of Kshs.1,083,644 resulting to an unexplained and unreconciled variance of Kshs.118,524.</p> <p>ii) The statement reflects purchase of property, plant and equipment amount of Kshs.3,976,864 which varies with the additions to property, plant and equipment of Kshs.26,976,964 as per Note 20 to the financial statements resulting to an unexplained and unreconciled variance of Kshs.23,000,100.</p> <p>iii) The statement reflects increase in deposit amount of Kshs.685,050 which vary with the computed amount of Kshs.1,583,243 resulting to an unexplained and unreconciled variance of Kshs.898,193.</p> <p>iv) The statement reflects suspense amount of negative Kshs.1,854,062 which was not supported or</p>			

Narok Water and Sewerage Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	explained.			
10.	<p>Budgetary Control and Performance</p> <p>During the financial year ended 30 June, 2022, a comparison of the Company's approved budget and actual results shows that it realized a total revenue amounting to Kshs.157,276,472 against a budget amount of Kshs.180,168,980 resulting to under performance of Kshs.22,892,508 mainly contributed by the under collection of Kshs.28,417,050 from sale of water and transfers from National Government of approximately 13%.</p>			
11.	<p>Customer Deposits</p> <p>The statement of financial position reflects customer deposits balance of Kshs10,860,364. However, the amount varies with the deposits bank balance of Kshs.34,888 reflected in the analysis of the cash and bank balances in Note 32 to the financial statements resulting to a shortfall of Kshs.10,825,476. A review of supporting ledger revealed that the customer deposits were utilized on operational costs. However, the approval by the board to borrow from the customer deposits account as required by Clause 73 of the Articles of Association was not made available for review. This is contrary to Clause 73 of the Articles of</p>	Approvals provided		

Narok Water and Sewerage Services Company Limited
 Annual Report and Financial Statements for the year ended June 30, 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	the Association which states that, the Directors may borrow or raise money, and to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities whether outright or as security (principal or collateral) for any debt, liability or obligation of the company or any third party.			
12.	<p>Failure to Develop a Risk Management Strategy</p> <p>The Company does not have a risk management policy to guide management in risk evaluation and decision making. This is contrary to Regulation 158(1) of the Public Finance Management (County Government) Regulations, 2015 which requires the accounting officer to develop risk management strategies, which include fraud prevention mechanism and internal control that builds robust business operations. In the circumstance, the effectiveness of the risk management, strategies and controls in place could not be confirmed.</p>	Work in progress		

Name Jusny Lemwan
 Signature [Signature]
 Managing Director
 Date 02/02/2024



Appendix II: Projects Implemented by the Company

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)
1 Ntulele public sanitation	O8S/NAROK/35	WSTF	1 year	6,199,218	yes	no

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Ntulele public sanitation	4,181,000	0	50%	6,199,218	0	WSTF