

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**NAKURU WATER AND SANITATION SERVICES
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2021**



Enriching Life



**NAKURU WATER AND SANITATION SERVICES
COMPANY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

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

TABLE OF CONTENTS

I. KEY COMPANY INFORMATION.....	ii
II. BOARD OF DIRECTORS.....	v
III. CORPORATE MANAGEMENT TEAM.....	x
IV. CHAIRMAN'S STATEMENT.....	xiii
V. MANAGING DIRECTOR'S REPORT.....	xv
VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE YEAR 2020/2021.....	xviii
VII. CORPORATE GOVERNANCE STATEMENT.....	xxiii
VIII. MANAGEMENT DISCUSSION AND ANALYSIS.....	xxviii
IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING.....	xxxv
X. REPORT OF THE DIRECTORS.....	xxxviii
XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	xxxix
XII. REPORT OF THE AUDITOR GENERAL ON NAKURU WATER AND SANITATION SERVICES COMPANY LTD.....	xl
XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 th JUNE 2021.....	1
XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 th JUNE 2021.....	2
XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 th JUNE 2021.....	3
XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 th JUNE 2021.....	4
XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 th JUNE 2021.....	5
XVIII. NOTES TO THE FINANCIAL STATEMENTS.....	8
APPENDICES.....	31
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	31
APPENDIX II: PROJECTS IMPLEMENTED BY THE COMPANY.....	38
APPENDIX III: INTER-ENTITY TRANSFERS.....	40
APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES.....	40



I. KEY COMPANY INFORMATION

Background information

Nakuru Water and Sanitation Services Company Ltd (NAWASSCO) is a Private Company Limited by Shares under the Companies Act, 2015. The Company was registered on 8th September 2003 and it is fully owned by the County Government of Nakuru. Pursuant to the provisions of the Water Act 2016, the Company is an agent of Central Rift Valley Water Works Development Agency (CRVWDA) / County Government of Nakuru and it is mandated with the provision of water and sanitation services in the area under the jurisdiction of Nakuru Town East and Nakuru town West Sub-counties and its environs.

Vision

“To be the Leading Water Utility in Kenya”

Mission

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

Core Values

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

Our core values include the following:

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

Principal Activities

The mandates of the Company are as follows:

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



The Water Sector in Kenya

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

1. Ministry of Water & Sanitation and Irrigation –Responsible for policy and direction on water and sanitation services in the country.
2. The Water Services Regulatory Board (WASREB) -Responsible for regulation of water and sewerage services in the country.
3. Water Works Development Agencies (WWDAs) – Responsible for development, maintenance and management of the national public water works within their areas of jurisdiction.
4. Water Service Providers (WSPs) – Are agents of County Government. NAWASSCO is an agent of Nakuru County Government and it is responsible for provision of water and sanitation services in the jurisdiction of Nakuru Town East and Nakuru Town West sub counties and its environs.
5. Water Resources Authority (WRA). Responsible for regulation, management and use of water resources.
6. National Water Harvesting Authority- Responsible for the development and management of national public water works for water resources storage and flood control.
7. Water Sector Fund- Responsible for the provision of conditional and unconditional grants to counties in addition to the equalization fund and to assist in financing the development and management of water services in marginalized areas/ underserved areas.
8. County Governments - Under the constitution 2010, water and sanitation services is a devolved function under the County Governments.

Shareholding

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

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

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



Directors

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

1. Eng. John K. Kimani	Chairman	Appointed on 3rd February 2016
2. Eng. James N. Gachathi	Managing Director	Appointed September 2014
3. Gladys Achieng' Ndeda	Non-Executive Director	Appointed on 3rd February 2016
4. Jennifer J. Kigen	Non-Executive Director	Appointed on 3rd February 2016
5. Monicah W. Gitone	Non-Executive Director	Appointed on 23rd May 2016
6. Eng. Festus K. Ngeno 2017	Non-Executive Director	Appointed on 9th September,
7. Dr Peter K. Katyanya	Non-Executive Director	Appointed on 10th April, 2019
8. CPA Sebastian M. Kanyari	Non-Executive Director	Appointed on 15th October, 2020
9. CPA Charles Okeyo Owuor	Non-Executive Director	Appointed on 15th October, 2020

Registered office

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

Main bankers

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

Corporate Contacts

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

Principal Advocates

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

Independent Auditors

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

Nairobi, Kenya




II. BOARD OF DIRECTORS

The Company has a Board of Directors which is responsible for

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

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

NO	NAME	PROFILE
1.	 <p>Eng. John Karanja Kimani Non-Executive (Chairman)</p>	<p>Eng. Karanja, 66, was appointed on 3rd February 2016 to represent Resident organizations and he is the Chairman of the Board.</p> <p>He was formerly the Branch Chairman of Agricultural Society of Kenya, Central Rift Branch. He has been involved in various assignments in the Nakuru County which include; the fabrication and erection of Nyayo and Afraha Stadium flood light towers and Structural steel works for Menengai Oil Refineries. Other assignments include: civil and mechanical works for the automation of the Seven Folks Dam in the installation of the SCADA systems, and many more private projects such as churches, Go downs, petrol Stations, canopies and foot bridges. Outside the country he was involved in the rehabilitation of several tea factories under Ocir Tea in Rwanda, major expansion of Tanwett Factory for Rai Group and expansion of Kinyara Sugar Factory for Rai Group of Companies in Northern Uganda.</p> <p>Eng. Karanja has a Degree in Bachelor of Science in structural Engineering and has attended various courses in leadership and corporate governance and project management.</p> <p>Eng. Karanja has business interests in Nakuru Town and he has a vast experience in structural engineering and construction spanning for over 38 years</p>

<p>2.</p>	 <p>Gladys Achieng' Ndeda Non-Executive Director</p>	<p>Ms Ndeda, 62, was appointed on 3rd February 2016 to represent Professional Bodies. She is the Vice Chair of the Board.</p> <p>She has a Degree in Bachelor of Laws, Diploma from Kenya School of Law and has served as a Chief Magistrate of the High Court. Ndeda is a practicing lawyer. She has attended various courses in management and administration.</p> <p>Committee membership: Finance & Staff and Audit & Governance Committee.</p>
<p>3.</p>	 <p>Monicah Wanjiru Gitone Non-Executive Director</p>	<p>Ms Wanjiru, 46, was appointed on 23rd May 2016 to represent the Business Community.</p> <p>She has served in various institutions including Chairperson – Bahati Sub County Hospital Management Committee, Women Representative -county peace forum, Cohesion Monitor -NCIC, Lead Facilitator in training of youth on entrepreneurship and business creation in Nakuru County, Community health worker on family health and development, Member of Board of Management-Nakuru Day Secondary School and PTA Member -Moi Primary School.</p> <p>She has a Diploma in Theology and has attended various courses in management, leadership, community development, finance, and conflict resolution. She has a wealth experience in managing businesses in Nakuru Town</p> <p>Committee membership: Technical & Social (Chairperson) and Audit & Governance Committee.</p>
<p>4.</p>	 <p>Jennifer Jepchumba Kigen Non-Executive Director</p>	<p>Ms Jepchumba, 58, was appointed on 3rd February 2016 to represent Women Organisations.</p> <p>She is also the Executive Director, Rongai Social Economic Women Organisation.</p> <p>She holds a degree in Bachelor of Business Administration and Management from St. Pauls University and she is currently pursuing a Master's degree in Strategic Management at St. Paul University. She has attended various courses in leadership and management.</p> <p>Committee membership: Finance and Staff (Chairperson) and Audit & Governance Committee.</p>



5.



Eng. Festus K. Ngeno
 Non-Executive Director

Eng. Ngeno, 41, was appointed on 9th September, 2017 and he represents the County Government of Nakuru. He is the County Executive Committee Member (CECM) in charge of Water, Environment, and Energy & Natural Resources. Other positions he has held before include: Group Manager, Water Treatment Division at Davis & Shirtliff Ltd, and Managing Director at Kericho Water & Sanitation Company Ltd.

Eng. Ngeno sits in other Boards including: Council of Governors on Water, Forestry & Mining –CECMs Caucus, World Vision Kenya (WVK), Nakuru Rural Water & Sanitation Services Co. Ltd, Naivasha Water & Sanitation Company Ltd and Imarisha Lake Naivasha Management Board.

Eng. Ngeno is a Water, Sanitation & Environmental Engineer. He has degree in BSc Water & Environmental Engineering from University of Nairobi, a Master's degree in MSc, Water & Environmental Engineering from University of Nairobi and Currently pursuing a Doctorate Degree (PhD) in Water & Environmental Engineering at the University of Nairobi. He also has a Post Graduate Diploma Course in Leadership & Corporate Governance from Kenya College of Accountancy (KCA) University.

He has fourteen (14years) in-depth hands-on experience and expertise in Water, Sanitation, Environmental and GIS sectors. In addition, he has good experience in the Public and Private Sector at Senior Management Level Managing Operations in Kenya, Uganda, Zambia, S. Sudan, Rwanda, Tanzania and Ethiopia.

Committee membership: Technical & Social and Audit & Governance Committee.

6.



Dr. Peter K. Katyenya
 Non-Executive Director

Dr.Katyenya, 43, was appointed on 10th April, 2019 and he represents the County Government of Nakuru. He is the County Executive Committee Member (CECM) in charge of Finance and Economic Planning.

Before joining the County Government, Dr Katyenya was the General Manager Finance at the Kenya Rural Roads Authority for 5 years and he had also worked as Deputy Director Finance at Kenya Forest Service for 3 years. Previously he worked as a Senior Accountant at NHIF.

Dr. Katyenya holds degrees in both Bachelor of Commerce and Bachelor of Science in Applied Accounting. He has a Master's Degree in Business Administration and a PHD in Business (Banking and Finance Option).

Committee membership: Audit & Governance committee (Chairman) and Finance & Staff committee.



7.



CPA Sebastian Mwangi
 Kanyari
 Non-Executive Director

CPA Mwangi, 60, was appointed on 15th October, 2020 to represent the Manufacturing Community.

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

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

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

8.



CPA Charles Okeyo Owuor
 Non-Executive Director

CPA Charles Okeyo Owuor, 47, was appointed on 15th October, 2020 to represent the Learning Institutions. He holds a Bachelor of Law degree (LLB Hons) from Egerton University, Bachelor of Commerce (Finance Option) and MBA (Finance Option) degrees from Kabarak University. He has CPA (K) and is currently a PhD candidate at Egerton University in Business & Management (Finance Option). He is also a member of ICPAK and Practicing Accountant. In addition, he is an Associate Member of Chartered Institute of Arbitrators, Certified Fraud Examiners, member of the Institute of Internal Auditors, Certified Professional Mediator and a member of Accredited Mediators High Court of Kenya. He was (2015 to 2018) and continues (2021 to 2023) to be Committee Member, Research and Development Committee at Institute of Certified Public Accountant of Kenya (ICPAK).

CPA Okyo has wide experience in Research, Tax Law and Practice together with Financial Management Practices, having worked as Chief Executive Officer, Calmape Engineering Ltd, Principal, MIS-Centre College of Accountancy of Management & Information Technology, Audit Manager, A.M. Karoki & Associates, Certified Public Accountants of Kenya and Legal Intern, Odhiambo & Odhiambo Advocates. He is currently a Researcher, Financial and Tax Consultant and a Managing Partner of Dalxa and Elphony Associates, Certified Public Accountants of Kenya and has extensive experience in both public and private organizations.

Currently, CPA Okeyo is a Lecturer at Egerton University in the Department of Accounting, Finance & Management Science and a part time lecturer at various universities and colleges. Further, having been in academia environment






		<p>several years, CPA Okeyo has extensively authored and published over seven (7) peer reviewed articles in various distinguished academic journals and ten (10) other publications in ICPAK and KASNEB journals respectively. He is also a Consultant with the Kenya Accountants and Secretaries National Examination Board(KASNEB).</p> <p>Committee Membership: Finance & Staff Committee and Technical & Social Committee.</p>
9.	 <p>Eng. James N. Gachathi Managing Director</p>	<p>Eng. Gachathi, 51, was appointed on 26th June 2014 as the Managing Director. Before his appointment, Mr Gachathi was the Technical Manager having been appointed on 23rd October 2007.</p> <p>Before joining the Company, Mr Gachathi was the Technical Manager of Nyahururu Water and Sanitation Company. He has a Degree in Bachelor of Science in Civil Engineering from University of Nairobi and on – going student of MBA (Strategic Management Option) at Egerton University.</p> <p>He is the Board Secretary and has a rich experience in Water Sector spanning for over 24 years</p>

III. CORPORATE MANAGEMENT TEAM

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



The following are the Corporate Management Team: -

NO	NAME	PROFILE
1.	 <p data-bbox="209 747 484 821">Eng. James N. Gachathi Managing Director</p>	<p data-bbox="536 411 1297 548">Eng. Gachathi, 51, was appointed on 26th June 2014 as the Managing Director. Before his appointment, Mr Gachathi was the Technical Manager having been appointed on 23rd October 2007.</p> <p data-bbox="536 590 1297 674">Before joining the Company, Mr Gachathi was the Technical Manager of Nyahururu Water and Sanitation Company.</p> <p data-bbox="536 695 1297 821">He has a Degree in Bachelor of Science in Civil Engineering from University of Nairobi and on-going student of MBA (Strategic Management Option) at Egerton University.</p> <p data-bbox="536 831 1297 894">He has a rich experience in Water Sector spanning for over 24 years</p>
2.	 <p data-bbox="182 1230 509 1304">CPA Isaac Mokaya Makori Finance Manager</p>	<p data-bbox="536 909 1297 1178">CPA Makori, 51, was appointed on 18th May 2009. Before joining the Company, Makori had previously worked at Pyrethrum Board of Kenya. He is experienced in Financial and Management Reporting, people management, monitoring and evaluation, Taxation and project Accounting. He served as a member of the Local Committee at Kenya Revenue Authority, Nakuru for 2 years and he is a BOM member in various schools.</p> <p data-bbox="536 1209 1297 1503">Makori holds a degree in Bachelor of Commerce (Accounting Option) from Kenyatta University and an MBA (Finance Option) from Kenya Methodist University. He is CPA (K) and a Member of the ICPAK. He is also a Certified M&E expert, and a member of Kenya Institute of Management and has a certificate in Strategic Leadership Development Programme (SLDP) from the Kenya School of Government (KSG), Baringo Campus. He has 26 years of work experience.</p>
3.	 <p data-bbox="161 1797 518 1871">CPA James Muthee Gathairu Commercial Manager</p>	<p data-bbox="536 1497 1297 1650">Mr. Gathairu, 51, was appointed on 18th May 2009. Before joining the Company, Mr Gathairu was an accountant with Kenindia Assurance Co. Ltd for 7years and Chief Accountant with Blue Shield Insurance Co. Ltd for 7years.</p> <p data-bbox="536 1671 1297 1745">He has a rich experience in finance and business development spanning for over 25 years.</p> <p data-bbox="536 1776 1297 1923">Mr Gathairu holds a degree in Bachelor of Arts (Business Studies & Economics) from Kenyatta University and an MBA (Finance Option) from University of Nairobi. He has CPA (K) and he is a Member of ICPAK.</p>



<p>4.</p>	 <p>CPA Joseph John Githinji Internal Audit Manager</p>	<p>CPA Githinji, 45, was appointed on 1st November 2013.</p> <p>Before joining the Company, Mr Githinji previously worked with M/s Kariru & Associates (Certified Public Accountants), Kenya Wildlife Service (KWS) (Ag. Manager Internal Audit and Mombasa Water (Internal Audit Manager).</p> <p>He has a rich experience in Accounting spanning for over 21 years.</p> <p>Mr Githinji holds a degree in International Business Administration (Finance Option) from United States International University (USIU). He has CPA (K) and CS (K). He is a Member of the ICPAK and ICPS (K).</p>
<p>5.</p>	 <p>Margaret Wanjiru Kinyanjui Technical Manager</p>	<p>Ms Wanjiru, 36, was appointed on 1st September, 2018.</p> <p>Before joining the Company, M/s Wanjiru worked as the Technical Manager of Nanyuki Water & Sewerage Company. Prior to Nanyuki Water Company, she was the Operations Manager Nyahururu Water & Sanitation Company and Assistant Resident Engineer of JBG GAUFF INGENIEURE.</p> <p>Ms Wanjiru holds a Bsc degree in Water & Environmental Engineering from Egerton University and an MSc in Project Planning & Management from Jomo Kenyatta University of Agriculture & Technology (JKUAT). She is a Certified M&E expert, and has various certificates in AUTOCAD, MS Project and leadership.</p> <p>She has a rich experience in Water & Sanitation Management spanning for over 11 years.</p>
<p>6.</p>	 <p>Willy Kibet Procurement Manager</p>	<p>Mr. Kibet, 33, was appointed on 1st March 2019.</p> <p>Before joining the company, Mr. Kibet worked as a Tutorial Fellow for Maseno University. Prior to Maseno University, he was an Assistant Director Procurement, County Government of Bomet and seconded to Bomet Water Company.</p> <p>Kibet holds a degree in Purchasing and Supplies Management and a master degree in Procurement and Logistics from Jomo Kenyatta University of Agriculture and Technology (JKUAT). He is a registered member of the Certified Procurement and Supply Professional of Kenya (CPSP-K) and the Kenya Institute of Supplies Management (KISM).</p> <p>He has a rich experience in procurement spanning over 10 years.</p>



<p>7.</p>	 <p>Anthony Kipkurui Kamar ICT Manager</p>	<p>Mr Kamar, 33, was appointed on 1st March 2019</p> <p>Before joining the company, Mr Kamar worked with the Kenya Film Classification Board for 8 years as the Head of ICT. He has vast experience in project management, ICT security & audit and implementation of management information systems.</p> <p>Mr Kamar holds a bachelor's degree in Business Management and IT from Kabarak university, an MBA (Operations Management) from the University of Nairobi; He is a member of the computer society of Kenya (FCSK).</p> <p>He has a rich experience in ICT spanning over 10 years.</p>
<p>8.</p>	 <p>Carditor W. Muchoki Ag. Human Resource & Admin. Manager</p>	<p>Ms Muchoki, 34, was appointed as the Ag. Human Resource & Admin. Manager on 17th July, 2020. Prior to her appointment, Muchoki was working as the Human Resource Officer since 1st July 2018. She had previously worked as a Human Resource Assistant and Ag. Human Resource & Admin. Officer.</p> <p>Muchoki holds a degree in Bachelor of Commerce (HRM Option) from Gretsia University and she is currently pursuing a Master of Science degree in Human Resource Management at Jomo Kenyatta University of Agriculture and Technology. In addition she has a Higher National Diploma in Human Resource Management and a Diploma in Personnel Management.</p> <p>She is a Certified Human Resource Professional of Kenya, CHRP (K) and she is a full member of IHRM.</p> <p>She has 10 years experience in Human Resource Management.</p>



IV. CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, am pleased to present to you an overview of the annual report and financial statements of the Company for the year ended 30th June 2021. The strong foundation that we have laid over time by embracing our vision to be the leading Water Utility in Kenya; supported by a robust governance structure; continue to drive growth in the Company and providing momentum for a secure future.

Key Activities

During the year under review, the demand for water and sanitation services in Nakuru continued to increase due to expansion of Nakuru Town given the limited sources of water. The water demand was at over 73000m³ per day against an average supply of 40,000m³ per day which the National Government and County Government are addressing to bring more water to Nakuru Town since it is soon becoming a city. A total of 36600m³ per/day was achieved due to power failure and breakdown of pumps. This resulted to the company achieving an average of 20hrs of supply per a day.

During the period, the company continued to navigate through the effects of Covid-19 pandemic period which affected most sectors of the economy. The company promoted and facilitated good hygiene practices by leading awareness campaigns about the virus transmission as well as providing material support for hand washing in high-risk locations especially the low income areas. The company through the County Government of Nakuru and with the support of partners such as the Water Sector Trust Fund (WSTF), the Vitens Evides International (VEI)- WaterWorx Project, UNCEF, Water Service Providers Association (WASPA), World Bank were able to give grants to the company for operations covid-19 interventions in the low income settlement areas

On Non-Revenue Water (NRW), the Company achieved 31.0% against the sector benchmark of 25%. This was done by continuing with the installation of master, zonal and consumer meters to monitor and track the flow of water and its losses. This exercise was undertaken so as to be able to measure the amount of water that is supplied to a particular area with a view of ascertaining the Non-Revenue Water (NRW).

Successes

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

During the year the company through funding from County Government of Nakuru and donors was able to extend the sewer network by 13kms at Free Area, Flamingo, and Rhonda. The company also received funding from County Government of Nakuru and Development Partners to extend water networks by 24kms at Rhonda, Kaptembwo, Githima, Mawanga, Natewa and Estimo. This network project will improve access to water benefiting over 30,000 people

The Company was involved in a number of initiatives which benefited the surrounding community. The initiatives were in line with the right to water and sanitation as enshrined in Chapter 4 (41 & 43) Kenyan Constitution – The Bill of Rights.

Challenges

During the year most customers fell into arrears due to covid-19 pandemic which affected their sources of income especially those whose businesses were closed down.

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

The Company is faced with the challenge of limited sources of water. The current water production capacity is 40,000m³ of water per day against a demand of 73,000m³ of water per day. This is being addressed through other mechanisms that include partnerships with County Government of Nakuru, Central Rift Valley Water Works Development Agency (CRVWDA) and National Government. The construction of the Itare Dam water project funded by the Italian Government was stopped 3 years ago due to the financial difficulties facing the contractor. The project was expected to produce over 100,000m³ of water per day of which 70,000m³ of water per day will get to Nakuru Town. The National Government and County Government of Nakuru are working towards getting another donor to fund the Itare Dam Project which was stopped 3 years ago due to the financial difficulties facing the contractor.

The company sewer coverage is at 30% due to low funding from the County/National Government. This is a great risk to the town as it may be faced with sanitation related diseases. However, through a project to be funded by KfW Bank under the Lake Nakuru Bio-Diversity Project the sewer network will be improved and expanded.

Future Outlook

Nakuru Town is among the fastest growing towns in Kenya and it is has been upgraded to a city status which would create opportunities for greater business. Due to that the Company has started positioning itself by improving of its systems and capacity building its staff to manage operations. The Company is also reaching out to development partners who have shown interest in funding the sewer network which currently has a low coverage of 30%.


As we navigate through the effects of the covid-19 pandemic, which are evident on the economy and our customers, our focus remains on staff safety, service excellence and business continuity while minimizing the pandemic.

Appreciation

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

To the management and staff, we thank you for your continued commitment to delivering improved and more reliable services to our customers especially during these pandemic times. Together we celebrate our achievements for the year 2020/21.

Thank you and May God Bless You all


GLADYS ACHIENG' NDEDA
CHAIRMAN, BOARD OF DIRECTORS



V. MANAGING DIRECTOR'S REPORT

I am pleased to present the Annual Report and Financial Statements of the Company for the year ended 30th June 2021. This is the 17th annual report and financial statements for the Company and demonstrates how far we have come.

Key Activities

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

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

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

On Non-Revenue Water (NRW), the Company achieved 31.0% against the sector benchmark of 25%. This was done by continued installation of master, zonal and consumer meters to monitor and track the flow of water and its losses. This exercise was undertaken so as to be able to measure the amount of water that is supplied to a particular area with a view of ascertaining the Non-Revenue Water (NRW) in those areas.

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

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

Financial Overview

The financial performance during the period was better as the company recorded an after tax profit of 29.1m compared to a Kshs71.4m during the previous year. The great improvement in performance was mainly attributed to the suspended activities due anticipated effect of Covid-19 pandemic and the operating grants received from donors.

The cost of electricity reduced from an average of Kshs20m per month to Kshs19m per month during the year due to breakdown of pumps. The cost of bulk water went down slightly due to less quantities purchased while the cost of personnel went down due to the number of staff retiring and the company automating some of its processes.

Other operating and maintenance costs remained low due to suspended activities arising from the anticipated effect of covid-19 on company revenues. The cost of chemicals went down due to covid-19 support which we received from donors and other inputs was maintained.



Successes

During the year under review, the company demonstrated resilience amidst the Covid-19 pandemic, which affected the disposable incomes of the consumers. However, as envisaged in one of our core values of customer focus, the company continued to maintain satisfactory levels in service delivery.

The water produced was distributed to customers equitably through a rationing programme. The average water supply was 20hrs/day compared to 18hrs per day in 2019/20 and the amount of water produced was an average of 36600m³ per day compared to 33099m³ per day in 2019/20.

In order to improve on service delivery to customers, the company continued updating the social media platforms with campaigns on Facebook, twitter and customer WhatsApp platforms. The campaigns mainly sensitized on Covid-19 and reminded customers on bill payment modes of payment, checking water bills via USSD - *483*81#, service interruption and infrastructure vandalism. The Digital platforms were also used for staff and customer sensitization especially on Covid-19 measures and guidelines.

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

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

Challenges

The cost of electricity was high due to the fact that over 90% of the water that the company supplies is from boreholes and pays an average of Kshs.20m per month to Kenya Power. The boreholes are rather deep and thus expensive to run in terms of energy costs (electricity). In addition, the cost of electricity is unpredictable as it keeps on rising while our water tariff is fixed for a period of time. In addition, there is no special tariff for the water sector that would make the services cheaper given that we offer a social good. The company together with other water companies through Water Service Providers Association have applied to Kenya Power for a subsidized tariff which will reduce the cost of electricity.

The Company loses a lot of water currently at 31% through technical means arising from old and dilapidated water infrastructure. Most of the current water networks were built many years ago and requires over Kshs800 million to replace. The National Government through Central Rift Valley Water Works Development Agency (CRVWDA) and development partners are addressing this issue.

The sewer coverage is currently low at 30% and it is very expensive for the company to finance through the normal tariff.

The Company is faced with the challenge of limited sources of water as the current water production is 40000M³ of water per day against the demand of over 73000M³ of water per a day due low funding. This is being addressed through other mechanisms that include partnerships with County Government, National Government and other Development Partners.

Future Plans

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

Appreciation

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

Thank you and best wishes to you all.



JAMES N. GACHATHI
MANAGING DIRECTOR

VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE YEAR 2020/2021

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

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

Pillar 1: Water and sewerage infrastructure development

Pillar 2: Operational efficiency and customer service

Pillar 3: Financial Sustainability

Pillar 4: Institutional Capacity Strengthening

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

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

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

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement
Water and sewerage infrastructure development	To supply enough water	Increase water production from 38,000m ³ /day to 40,000m ³ /day	Ensure that all borehole pump-sets are operational and are at least 90% of their capacities at all times. Improve intake of surface water from current 3,000m ³ /day to 6,000m ³ /day.	A total of 36600m ³ per/day was achieved. The shortfall was due to power failure, breakdown of pumps and reduction of bulk water supply by the supplier
	Increase water coverage from 94% to 98%	Increase the distribution network coverage from 541km to 650km(in Eastern,	Identify the network, carry out survey and the designs. Procure materials and a contractor for network expansion	The network extension was increased by by 24kms at Rhonda, Kaptembwo, Ghithima, Mawanga, Natewa and Estimo, Ndege and Mwariki. This network project will improve access



Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement
		Southern and Western Zones)		to water benefiting over 30,000 people
Operational efficiency and customer service	Increase and maintain water supply hours from minimum 12 to at least 20 hours per day in all zones	Ensure water supply reliability does not fall below 18 hours per day at required pressures.	Maintain Service hours for distribution at 18 hours per day by producing enough water.	During the period the company achieved an average of 20hrs of supply per a day mainly due to water shortage
	Reduce Non-Revenue Water (NRW) to less than to a sector benchmark of 25%	Install master, zonal and consumer meters to monitor and track water flow and losses	Carry out distribution line patrols to identify all illegal connections. Install smart customer meters which more efficient. Install water level sensors at the reservoir tanks to control overflows.	The company achieved 31%. This was done through the various measures which were put in place
	To improve water quality to meet Kenya Bureau Standards	Enhance the water quality Compliance rate for Water from current 97% to 100%	Enhanced monitoring to ensure that the quality of discharged effluent is within 90% of World Health Organisation guidelines. Equip and maintain water laboratory to conduct daily tests.	The company achieved 98% against the required 100%. This was mainly due to turbidity levels in bulk water supplied by the bulk supplier.
	To continually strengthen the company's partnership with stakeholders	Enhance co-operation between the company and stakeholders	Carry out a detailed stakeholder analysis. Ensure Continuous engagement with all the stakeholders Develop standardized communication materials for	The company held a hybrid (virtual – on zoom and face to face) public/stakeholders meeting for Water Services Regulatory Board licence application on 9 th October 2020. During the meeting the

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement
			internal and external stakeholders	company was able to present to stakeholders about the company's services, growth and expansion, successes and challenges.
	To improve service provision in Low Income Areas (LIAs)	Enhance urban poor sanitation programmes for low income areas LIAs	Continue with the collaboration with development partners.	During the year the company through funding from County Government of Nakuru and donors was able to extend the sewer network by 13kms at Free Area, Flamingo, and Rhonda. The company also received funding from County Government of Nakuru and Development Partners to extend water networks by 24kms at Rhonda, Kaptembwo, Githima, Mawanga, Natewa and Estimo. This network project will improve access to water benefiting over 30,000 people.
Financial Sustainability	To enhance financial sustainability of the Company	Improve revenue collection from the current Kshs75M to Kshs88M per month.	Maintain the E-billing system. Market to customers the alternative modes of bills payments available. Carry out water meters calibration and replacement of faulty meters to ensure the appropriate amount of revenue is received for water supplied.	The Company achieved an average of Kshs78.3m per a month despite the anticipated effect of covid-19 which affected most of the customers.
		Improve the collection efficiency from	Enhance utilization of electronic payment system and	The Company achieved a collection efficiency of 100% due covid-19



Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement
		94% to 100%	open more pay points. Set targets for the debt collection unit and facilitate the team. Carry out customer sensitization and enforcement of disconnections.	pandemic most customers were at home and therefore paid their bills to avoid disconnection including the constant short messages which the company sent reminding them about the outstanding bills.
		Improve the metering ratio from 97% to 98%	Identify and meter all the un-metered customers. Have enough meters in store.	The company achieved 100% due to the efforts which were put in place.
		Reduce Non-Revenue Water (NRW) to sector benchmark of 25%	Carry out distribution line patrols to identify all illegal connections. Install smart customer meters which more efficient. Install water level sensors at the reservoir tanks to control overflows.	The company undertook replacement of old meters and faulty meters with smart meters which have high accuracy levels. This reduced NRW 31%.
		Reduce customer arrears from 87% to 20 % of revenue base	Set targets for the debt collection unit. Engage debt collection agents.	This was achieved despite effect of covid-19 as most customers were able to the bills during and reduced the arrears
Institutional Capacity Strengthening	Attract, develop, motivate and retain highly motivated and disciplined staff.	To improve staff productivity from 70% to 80%	Sign performance based contracts with staff aimed at improving performance. Carry out a training need assessment and implement the same.	This was done through the signing of contracts between the Board and Corporate Management Team and the same cascaded to every level of employees in the Company.
	Embrace	Adopt integrated	Implement an	The

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement
	emerging technologies and innovations to improve efficiency and effectiveness.	technological systems	Enterprise Resource Planning (ERP) system. Replace and purchase more computers. Invest in security systems at all company facilities.	commissioned the ERP system which has improved efficiency on the service delivery and the provision of timely reports for prompt decision making.
		Create a conducive environment for innovation and creativity	Each department to target one innovation during the year.	The company encourages its employees to develop new ideas of improving service delivery. The company through the innovative ideas from the staff was able to install more smart customer meters, and automated some of its boreholes. Solarization of borehole pumps is at an advanced stage.
	Enhance Good Corporate Governance	Strengthen capacity of the Board of Directors on corporate governance and leadership.	Train the Board of Directors and Senior Management Team on Corporate governance and risk management. Carry out sensitization of Board of Directors on the code of ethics and conduct.	During the period under review, the Board of Directors were trained on corporate governance and risk management.



VII. CORPORATE GOVERNANCE STATEMENT

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

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

The key instruments within the governance framework include: -

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

The Board of Directors

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

Roles and Functions of the Board

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

The Board of Directors are responsible for the following: -

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



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

Composition of the Board

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

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

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

Board Meetings

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

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

During the year under review the Board conducted 13 meetings.

Board Committees

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



The Board appoints other committees as and when necessary. During the year the Adhoc Committee met two (5) times.

The Board Charter

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

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

Appointment and Removal of the Board

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

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

Board Succession Plan

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

Induction and Training of the Board

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

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

Board and Member Performance

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

Conflict of Interest

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

Board Remuneration

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

Board Ethics and Conduct

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

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

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

Board Governance Audit

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

The governance audit covers the following parameters among others:

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



VIII. MANAGEMENT DISCUSSION AND ANALYSIS

1. Operational and Financial Performance

Service Delivery

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

Target Description	Target	Actual	Comments
Water Coverage (%)	95	95	The target was maintained as the company has not established new water sources due to financial constraints. This is being addressed by the County and National Government given the fact that Nakuru Town has been upgraded to a city status.
Drinking Water Quality Standards (%)	100	98	The company achieved 98% against the required standard of 100%. This was mainly due to turbidity levels in bulk water supply from the contracted supplier. Samples taken from consumer points in the water supply system did not meet drinking water quality standards especially during the wet seasons.
Non-Revenue Water (NRW)%	26	31	This was not achieved due to the challenge of water losses in the water sector which was at 60% nationally and 31% at our company level with the acceptable level being at below 25%. The water losses occurred through technical and commercial ways. In the technical ways water was lost through leaks and bursts while in the commercial ways water was lost through illegal connections and meter tampering which the Company is addressing.
Hours of Supply (Hrs)	19	20	This was achieved due to more water that was available during the period.
Metering Ratio (%)	99	100	This was achieved due to the efforts which the company has put in place to achieve 100% metering ratio so as to stop billing on estimates.
Revenue Collection Efficiency (%)	94	100	This was achieved due to the efforts which company has put in place to achieve 100% collection efficiency. However we have a challenge in collecting revenue arrears from some customers who have been affected by covid-19

Financial Performance

The financial performance during the period was better as the company recorded an after tax profit of Kshs 29.1m compared to a Kshs.71.4m during the previous year. The great improvement in performance was mainly attributed to the suspended activities due anticipated effect of Covid-19 pandemic and the operating grants received from donors.

The cost of electricity reduced from an average of Kshs20m per month to Kshs19m per month during the year due to breakdown of pumps. The cost of bulk water went down slightly due to less quantities purchased while the cost of personnel went down due to the number of staff retiring and the company automating some of its processes.

Other operating and maintenance costs remained low due to suspended activities arising from the anticipated effect of covid-19 on company revenues. The cost of chemicals went down due to covid-19 support which we received from donors and other inputs were maintained.

2. Key Projects / Investments Decisions Implemented or Ongoing.

i. Implementation of an ERP System

During the year under review the company implemented and commissioned the Enterprise Resource Planning (ERP) system. The ERP system main objective was to bring in efficiency in operations within the company. The system has done away with distributed systems and silo processes within departments and unified them into one system with specific sub modules for each core department and live integration with our banking service providers and Mpesa. The manual processes in billing, procurement, finance and other departments have now been automated with capability to conduct company business conveniently from any location while reducing the need to print, conduct manual verification or reconciliations.

The company aims to continually embrace relevant technological advancements that will complement the ERP system which will ultimately reduce our turnaround times to the delight of our customers.

ii. Sewer Network Extensions

During the year the company through funding from County Government of Nakuru and donors was able to extend the sewer network by 13kms at Free Area, Flamingo, and Rhonda

iii. Water Network Extensions

The company received funding from County Government of Nakuru and Development Partners to extend water networks by 24kms at Rhonda, Kaptembwo, Ghithima, Mawanga, Natewa and Estimo, Ndege and Mwariki. This network project will improve access to water benefiting over 30,000 people

iv. Smart Water Meters

The company continued with the installation of new customer smart ready meters which are more efficient with an aim of raising revenues and reduction of water losses. The company installed 3,827 smart meters amounting to Kshs14.9million.

v. Motor Vehicles

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

vi. New Computers and Accessories

The Company procured new computers and other accessories which were required for the implementation of the new ERP system.

vii. Automation of Water Boreholes

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



viii. Replacement of Pumps and Motors

The Company replaced some of the old and inefficient pumps with the aim of increasing water production and reduction of maintenance costs. During the year the company replaced 13 broken pumps and motors amounting to Kshs6.6 million

3. Compliance with Statutory Requirements

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

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

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

CORPORATION TAX – The tax return was promptly filed with KRA

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

WASREB - levies were remitted promptly.

WARMA - Water abstraction fee was paid promptly.

NITA - Industrial training levy was remitted on a monthly basis

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

4. Major Risks Facing the Organization

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

i. Water Bills Amount Owed by the County Government of Nakuru- Kshs39.8M

The County Government of Nakuru currently owed the company several months' water bills amounting to Kshs39.8m which they have not settled despite several meetings and reminders. This has caused a challenge to the company in meeting its financial obligations.

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

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



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

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

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

iv. High Kenya Power Monthly bills averaging Kshs20m per month

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

v. Scarce Sources of Water

The Company is faced with the challenge of limited sources of water. The current water production capacity is 40,000m³ of water per day against a demand of 73,000m³ of water per day. This is being addressed through other mechanisms that include partnerships with County Government, Central Rift Valley Water Works Development Agency (CRVWDA) and National Government.

The construction of the Itare Dam water project funded by the Italian Government was stopped 3 years ago due to the financial difficulties facing the contractor. The project was expected to produce over 100,000m³ of water per day of which 70,000m³ of water per day will get to Nakuru Town.

vi. Water Loss through Old and Dilapidated Water Infrastructure.

The Company loses a lot of water through technical means arising from old and dilapidated water infrastructure. The role of the company is limited to proper management and introduction of efficiency measures while the Central Rift Valley Water Works Development Agency (CRVWDA) and County Government is supposed to provide the water infrastructure. Most of the current water network was built many years ago and requires over Kshs800 million to replace. This is the work of the National Government through Central Rift Valley Water Works Development Agency (CRVWDA) who is the asset developer. The company is only an agent who is provided with the assets to provide water and sanitation services.

vii. Un-Accounted for Water (UFW)- 31%

The water sector is faced with the challenge of water losses which is at 60% nationally and 31% at our company level with the acceptable level being at below 25%. This contributes to loss of revenues for water companies thus making water expensive. The water losses occur through technical and commercial ways. In the technical ways water is lost through leaks and

bursts while in the commercial ways water is lost through illegal connections and meter tampering which the Company is addressing.

viii. Low Sewerage Coverage - 30%

The company sewerage coverage was at 30% from 27% during the previous year due funding from the County Government and development partners. The coverage is still low and it is a great risk to the town residents as they may be faced with sanitation related diseases. However, through a project to be funded by KfW bank under the Lake Nakuru Bio-Diversity Project the sewer network will be improved and expanded. A consultant has been engaged to carryout preliminary designs and assist in the procurement of a contractor and supervise the works.

5. Material Arrears in Statutory and other Financial Obligations

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

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

ii. Central Rift Valley Water Works Development Agency (CRVWWDA) Lease fees –Kshs286.2M

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

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

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

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



being subject to resolution with the Treasury - Ministry of Finance. The amounts owing to KPLC Kshs 45, 108,015 and LAP Trust Kshs 6, 145,100 have since been paid.

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

iv. National Social Security Fund- Kshs5.5m

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

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

1. Water Bills Amount Owed by the County Government of Nakuru- Kshs39.8M

The County Government currently owes the company Kshs39.86m which they have not settled despite several meetings and reminders. We are hoping that the County Government will soon settle their water bills so that we may also settle our financial obligations.

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

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

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

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

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

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



The company got a favorable interpretation of the VAT Act but water and sewerage services moved from VAT zero rated to VAT exempt. In 2018 the refunds started being settled with a balance of Kshs. 15m remaining as at 30th June, 2021 despite several follow ups.



IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

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

1. Sustainability Strategy and Profile

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

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

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

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

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

2. Environmental Performance

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

The Company participated in the conservation of the environment by planting trees. During the year, the company continued the drive for environmental conservation by planting trees in its area of operation. In collaboration with the County Government of Nakuru, the company donated trees and took part in tree planting exercise.

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

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



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

3. Employee Welfare

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

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

During the reporting period, employees were able to undergo various trainings especially with the Enterprise Resource Planning (ERP) system. This did not only enhance the company's technological and operational growth but also enriched employee's technological growth.

4. Market Place Practices

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

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

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

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



5. Community Engagement

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

To serve the community around who don't have piped water, the company used a water tanker donated by the County Government of Nakuru to ferry water at a fee.

During the Covid-19 pandemic period, the Company was able to undertake several Wash initiatives by promoting and facilitating good hygiene practices through awareness campaigns about its transmission as well as providing material support for hand washing in the high-risk locations.

The company through the Commercial Department took part in a CSR activity by visiting the New Life Home Trust (NLHT). The home provides a compassionate response to the plight of abandoned and other extremely vulnerable babies, with priority given to those who are infected or affected by HIV/AIDS. NAWASSCO was able to donate items to the home: tissues, diapers, cooking oil, porridge, maize and wheat flour, milk, rice among others.

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

X. REPORT OF THE DIRECTORS

The Board of Directors present their Annual Report together with the Financial Statements for the year ended 30th June, 2021 which shows the state of the Company's trading affairs and financial position.

Principal activities

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

Results and dividend

The results of the Company for the Year ended 30th June, 2021 are set out on page 1 to 30. The net profit for the period of **Kshs 29,062,330** which has been added to retained earnings. The directors do not recommend the payment of dividend.

Directors

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

Auditors

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

By order of the Board



JAMES N. GACHATHI

BOARD SECRETARY

29/9

Dated 2021

XI STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 638 of The Kenyan Companies Act, 2015 requires the Directors to prepare financial statements in respect of the company, which give a true and fair view of the state of affairs of the company as at the end of the financial year and the operating results of the company for that year/period. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. Directors are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of the Company's financial statements which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2021. This responsibilities includes; (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintain proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances

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


The Directors are of the opinion that the company's financial statements give a true and fair view of the state of the company's transactions during the financial year ended June 30, 2021, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The company's financial statements were approved by the Board on 9th September 2021 and signed on its behalf by:


GLADYS ACHIENG' NDEDA
BOARD CHAIRMAN


JAMES N. GACHATHI
MANAGING DIRECTOR



**XII. REPORT OF THE AUDITOR GENERAL ON NAKURU WATER AND
SANITATION SERVICES COMPANY LTD**



REPUBLIC OF KENYA

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



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON NAKURU WATER AND SANITATION SERVICES COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nakuru Water and Sanitation Services Company Limited set out on pages 1 to 40 which comprise the statement of

Report of the Auditor-General on Nakuru Water and Sanitation Services Company Limited for the year ended 30 June, 2021

financial position as at 30 June, 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Nakuru Water and Sanitation Services Company Limited as at 30 June, 2021 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance Management Act, 2012, the Water Act, 2016, and the Company's Act, 2015.

Basis for Qualified Opinion

1.0 Undisclosed Loan from African Development Bank (AfDB)

The statement of profit or loss and other comprehensive income reflects operating and maintenance costs of Kshs.377,119,876 for the year ended 30 June, 2021. However, the balance differs with the amount of Kshs.282,779,924 disclosed in Note 12(a) to the financial statements resulting to unreconciled variance of Kshs.94,339,952. Further, included, in the operating and maintenance costs is the AfDB loan repayment amount of Kshs.39,468,545 which has been expensed. As previously reported, although the company procured the amount of Kshs.994,706,658 from the African Development Bank (AfDB) through Rift Valley Water Works Development Agency (RWWDA) and continues to service it, the outstanding loan balance is not reported on the financial statements as required by the standards. This is also in breach of Section 628(3) of the Companies Act No.17 of 2015 which requires accounting records of the company to contain day-to-day entries of all amounts of money received and spent.

Consequently, the accuracy and fair statement of the liabilities in respect of the undisclosed African Development Bank (AfDB) which was obtained through the Rift Valley Water Works Development Agency (RWWDA) and which the Company is servicing could not be confirmed.

2.0 Trade and Other Receivables

The statement of financial position as at 30 June, 2021 reflects trade and other receivables balance of Kshs.714,643,719 and as disclosed in Note 19(a) to the financial statements. However, the balance includes net trade receivables of Kshs.666,570,684 which is at variance with the supporting schedule amount of Kshs.617,528,935 resulting to unreconciled variance of Kshs.49,041,749.

Consequently, the accuracy and fair statement of the trade and other receivables balance of Kshs.714,643,719 as at 30 June, 2021 could not be confirmed.

3.0 Doubtful Reserve Assets Transferred

The statement of financial position and as disclosed in Note 23(c) to the financial statements reflects a balance of Kshs.262,893,992 in respect of reserve assets transferred. However, the balance was not supported by a detailed ledger of customer accounts.

Consequently, the accuracy and fair statement of reserve assets transferred balance of Kshs.262,892,992 as at 30 June, 2021 could not be confirmed.

4.0 Long Outstanding Debt - Rift Valley Water Works Development Agency

The statement of financial position and as disclosed under Note 25 to the financial statements reflects a balance of Kshs.751,029,340 in respect of trade and other payables as at 30 June, 2021. Included in the balance is trade payables balance of Kshs.617,951,432 which includes Kshs.446,976,985 owed to Central Rift Water Works Development Agency (CRWWDA) on account of administrative fees payable that have accrued since the year 2013 due to instructions not to pay issued by the County Government of Nakuru. No explanation has been provided or evidence of steps taken by the Company to resolve the matter.

In the circumstances, the accuracy and fair statement of trade and other payables balance of Kshs.751,029,340 as at 30 June, 2021 could not be confirmed.

5.0 Long Outstanding Trade Receivables Accounts

The statement of financial position and as disclosed under Note 19(a) to the financial statements reflects a balance of Kshs.714,643,719 in respect of trade and other receivables as at 30 June, 2021. Included in the balance is Kshs.666,570,684 in respect of water and sewerage services. However, the balance of Kshs.666,570,684 includes six thousand six hundred and thirty-one (6,631) dormant water customers' accounts with outstanding debt balance of Kshs.293,853,151. The Management has not demonstrated any appropriate measures taken including legal action to collect these debts' contrary to the provisions of the Company's Finance Manual 2021 Section 5.2. Further, no provision for doubtful debts has been made in respect of these doubtful debts.

Consequently, the accuracy, completeness and fair statement of trade and other receivables balance of Kshs.714,643,719 could not be confirmed.

6.0 Unaccounted for Fuel

Note 12(a) to the financial statements reflects operating and maintenance expenses balance of Kshs.282,779,294 for the year ended 30 June, 2021. Included in this amount is Kshs.7,938,437 in respect of fuel expenditure. Records provided for audit review revealed that fuel costing Kshs.3,219,256 was lost through fraud during the year under

review in the months of September to November, 2020. The matter is in Court and judgement had not been made as at the time of audit.

Consequently, the recoverability of Kshs.3,219,256 is dependent on the outcome of the Court case.

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

Emphasis of Matter

The statement of comparison of budget and actual amounts reflects an approved revenue budget of Kshs.1,028,242,527. The actual income for the year amounted to Kshs.1,015,944,217 resulting to an overall shortfall of Kshs.12,298,310 or (1%) of the budget. Management has not provided satisfactory explanations for the revenue shortfall that may have impacted negatively on service delivery to the residents of Nakuru town. In addition, out of the actual revenue of Kshs.1,015,944,217, actual expenditure was Kshs.976,062,030 resulting to an under absorption of Kshs.39,882,187 (or 4%).

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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, I confirm that, nothing 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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1.0 Non-Revenue Water

Available records indicate that the Company produced 13,358,950 cubic meters of water out of which 9,130,940 cubic meters were billed to customers resulting in 4,228,010 cubic meters Non Revenue Water at an estimated value of Kshs.328,257,551. This represented 32 % of the production which exceeded the set threshold of 25% approved by the Water Services Regulatory Board (WASREB) guidelines. No explanations have been rendered for the high NRW and measures being put in place to resolve the loss in revenue.

2.0 Consumer Billings Without Serialized Water Meters

Audit examination of billing records for the year ended 30 June, 2021 revealed that ninety-eight thousand eight hundred and eight two (98,882) water customers had meters without serial numbers for ease of identification and accountability. Although income of Kshs.3,494,826 was realized from these accounts, the individual serialized meter numbers are not captured in the Company assets records or billing system.

Consequently, the Company has not documented or safeguarded all its water meters used in the water distribution and sale system which may result to revenue losses.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal 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 applicable 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 Management is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but

is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material

uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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


CPA Nancy Gatungu, CBS
AUDITOR-GENERAL

Nairobi

15 July, 2022


**XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
 INCOME FOR THE YEAR ENDED 30TH JUNE 2021**

	NOTE	2020/2021	2019/2020
		(KSHS)	(KSHS)
REVENUES			
Sales/Turnover	6	937,878,717	987,077,239
Cost of Sales	7	(289,179,111)	(306,242,035)
Gross profit		648,699,606	680,835,204
Grants from Partners	8	59,413,269	-
Finance Income	9	16,862,032	12,705,616
Other Income	10	1,790,198	1,294,088
TOTAL REVENUES		726,765,106	694,834,908
EXPENSES			
Administration Costs	11	309,763,043	319,643,143
Operating and Maintenance Costs	12(a)	377,119,876	303,731,921
Bad debts written off	12(b)	<u>94,340,582</u>	-
TOTAL EXPENSES		686,882,919	623,375,064
OPERATING PROFIT/(LOSS) BEFORE TAXATION		39,882,187	71,459,845
Income tax expenses	13(a)	10,819,857	-
PROFIT/(LOSS)		29,062,330	71,459,844

XIV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

	NOTE	2020/2021	2019/2020
		(KSHS)	(KSHS)
ASSETS			
Non-Current Assets			
Property, plant and equipment	15	163,494,185	102,521,863
Intangible assets (software WIP)	16	29,846,528	30,288,249
Leasehold land and buildings	17(a)	113,820,467	118,650,184
Total Non-Current Assets		307,161,179	251,460,296
Current Assets			
Inventories	18	21,924,416	29,333,308
Trade and other receivables	19(a)	714,643,719	831,022,578
Short Term Deposits	20	210,100,000	160,100,000
Bank and cash equivalent	21	213,546,574	136,701,544
Total Current Assets		1,160,214,709	1,157,157,430
TOTAL ASSETS		1,467,375,888	1,408,617,726
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Ordinary share capital	22	100,000	100,000
Revaluation Reserve	17(b)	34,240,647	35,458,882
Reserve-Assets transferred	23(c)	262,893,992	262,893,991
Retained Earnings		160,131,160	131,068,830
Total Share Capital and Reserves		457,365,799	429,521,703
Non-Current Liabilities			
Non-Current accounts payable	23(c)	174,152,715	174,152,715
Deferred Income	24(i-iv)	76,240,117	39,931,128
Total Non-Current Liabilities		250,392,892	214,083,843
Current Liabilities			
Trade and other payables	25	751,029,340	765,012,180
Income Tax payable	13 (b)	8,587,857	-
Total Current Liabilities		759,617,197	765,012,180
TOTAL EQUITY AND LIABILITIES		1,467,375,888	1,408,617,726

The Financial Statements on pages 1 to 30 were approved by the Board of Directors during a meeting held on 9th September 2021 and signed on its behalf by: -


GLADYS A. NDEDA
Chairman


JAMES N. GACHATHI
Managing Director


ISAAC M. MAKORI
Finance Manager M/ No. 6774

Dated 29/9/.....2021

Dated 29/9/.....2021

Dated 29/9/.....2021



XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2021

	NOTE	ORDINARY SHARE CAPITAL	RESERVES	ACCUMULATE PROFIT/LOSS	TOTAL
			(KSHS)	(KSHS)	(KSHS)
At July 1, 2019		100,000	298,352,875	59,608,985	358,061,860
Total comprehensive income			-	71,459,844	71,459,844
At June 30, 2020		100,000	298,352,875	131,068,829	429,524,704
At July 1, 2020		100,000	298,352,875	131,068,829	429,524,704
Amortisation on revaluation	17(b)	-	(1,218,234)	-	(1,218,234)
Total comprehensive income			-	29,062,330	29,062,300
At June 30, 2021		100,000	297,134,641	160,131,159	457,365,800



XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2021

	NOTE	2020/2021	2019/2020
		KSHS	KSHS
CASH GENERATED FROM OPERATING ACTIVITIES			
Profit/loss after income tax		29,062,330	71,459,844
Adjustments for:			
Depreciation on plant property and equipment	15	34,855,204	23,783,076
Amortization of intangible asset	16	14,901,947	-
Amortization of land and buildings	17	3,611,483	3,494,984
Changes in working capital			
Decrease in Inventories	18	7,408,892	(13,639,221)
Decrease in Receivables and Prepayments	19(a)	116,378,860	(92,952,851)
Decrease in Payable and accrued expenses	25	(13,982,839)	81,180,466
Income Tax payable	13 (b)	8,587,857	-
Net cash generated from/(used in) operating activities		200,823,734	73,326,298
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15	(69,773,878)	(42,668,712)
Purchase of grant property, plant and equipment	15	(55,230,913)	-
Purchase of ERP Software	16	(14,460,266)	(30,287,193)
land and buildings - Paving and Landscaping of office block	17	-	(13,790,510)
Maturity of Fixed bank deposit	20	160,000,000	160,000,000
Investment in Fixed bank deposit	20	(160,000,000)	(160,000,000)
Investment in Call deposit	20	(50,000,000)	-
Net cash generated from/(used in) investing activities		(189,465,017)	(86,746,415)
CASH FLOWS FROM FINANCING ACTIVITIES			
Grants from WSTF	24(i)	10,255,400	3,366,139
Grants from Vitens	24(iii)	45,428,403	-
Grants from UNICEF	24(iv)	9,802,510	-
Net cash generated from/(used in) financing activities		65,486,313	3,366,139
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		76,845,030	(10,053,978)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	21	136,701,544	146,755,522
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	21	213,546,574	136,701,544

**XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE
YEAR ENDED 30TH JUNE 2021**

	Original Budget	Adjustment	Final Budget	Actual on comparable basis	Performance Difference		Explanation of Variances
	2020/2021	2020/2021	2020/2021	2020/2021	(Kshs)	%	
REVENUE							
Water and Sewerage charges	789,084,844	161,630,966	946,590,719	937,878,717	(8,712,002)	(0.92)	
Other income	21,084,844	65,251,808	81,651,808	78,065,500	(3,586,308)	(4.39)	
Total income	810,169,688	226,882,774	1,028,242,527	1,015,944,217	(12,298,310)	(7.38)	
Expenses							
Compensation of employees	291,276,774	3,500,000	294,776,774	269,104,096	25,672,678	8.71	The under utilization was due failure to kicking off of CBA negotiations after the current one expired in November 2020.
Board Expenses	12,000,000	-	12,000,000	11,875,415	124,585	1.04	
Personnel subsistence and performance incentive	5,000,000	11,000,000	16,000,000	15,281,949	718,051	4.49	
Personnel medical and occupational health	8,421,779	4,000,000	12,421,779	12,104,430	317,349	2.55	
Personnel subscription and training	1,868,420	4,000,000	5,868,420	1,397,153	4,471,267	76.19	The under utilization was due to failure to attend external training due Covid -19 pandemic restrictions.
Bulk water purchase	36,000,000	26,500,000	62,500,000	54,632,211	7,867,789	12.59	The under utilization was due to NARUWASCO supplying less bulk water than budgeted.

Nakuru Water and Sanitation Services Company Limited
Annual Reports and Financial Statements
For the year ended 30th June, 2021

Chemicals	7,430,000	(200,111)	7,229,889	6,028,908	1,200,981	16.61	Underspending on chemicals was due to less amount of water abstracted from river sources which requires a lot of cleaning.
Electricity	180,000,000	51,000,000	231,000,000	228,517,992	2,482,008	1.07	
Depreciation	-	-	-	53,368,634	(53,368,634)	(100)	
CRVWWDA Lease fees	39,468,545	-	39,468,545	39,468,545	0	0.00	
Water Fittings	5,890,185	3,000,000	8,890,185	9,604,558	(714,373)	(8.04)	The vote was underspent due to consumption of materials that were in stock at the start of the year.
Professional Fees	6,007,800	4,000,000	10,007,800	11,697,640	(1,689,840)	(16.89)	
Abstraction and permit Fees	4,500,000	1,500,000	6,000,000	5,456,470	543,530	9.06	The under utilization was due to breakdown of several pump sets at the boreholes leading to less extraction than budgeted for
Motor Vehicles repairs and maintenance	4,513,694	1,932,282	6,445,976	5,980,240	465,735	7.23	The vote was underspent since some motor vehicle and cycles were grounded due slowdown of business as a result of Covid-19 pandemic.
Insurance	3,000,000	650,000	3,650,000	3,642,186	7,814	0.21	
Printing and stationary	2,807,625	-	2,807,625	2,883,824	(76,199)	(2.71)	
Telephone	2,807,625	3,000,000	5,807,625	5,191,448	616,177	10.61	
Security	16,384,000	-	16,384,000	16,180,000	204,000	1.25	



Nakuru Water and Sanitation Services Company Limited
Annual Reports and Financial Statements
For the year ended 30th June, 2021

Postage	3,200,000	(2,450,000)	750,000	680,726	69,274	9.24	The under expenditure was due to the new innovation of sending bills through mobile phones and internet.
Fuel and Lubricants	6,830,880	6,000,000	12,830,880	7,938,437	4,892,443	38.13	The under expenditure was due to grounding of some vehicles due slowdown in business due to Covid 19 and efficient management of fuel consumption.
Rent	840,000	-	840,000	600,000	240,000	28.57	The utilization was due failure to let an extra office for expansive Eastern zone as was planned.
Bad debts written off	71,596,516	47,810,965	119,407,481	120,086,586	(679,105)	(0.57)	
Others Expenses	-	-	-	94,340,582	(94,340,582)	(100)	
Total expenditure	709,843,843	165,243,136	875,086,979	976,062,030	(100,975,052)	(11.54)	The over expenditure is due to depreciation which is a book entry.
Surplus for the period before taxes	100,325,845	61,639,639	153,155,548	39,882,187	88,676,742	57.90	
Income tax expense	-	12,000,000	12,000,000	10,819,857	1,180,143	9.83	
Surplus for the period	100,325,845	49,639,639	141,155,548	29,062,330	89,856,885	63.66	

The variances between actual and budget has been explained on each budget Vote.



XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Nakuru Water and Sanitation Services Company Ltd (NAWASSCO) is a Private Company Limited by Shares under the Companies Act 2015. The Company was registered on 8th September 2003 and it is fully owned the County Government of Nakuru. Pursuant to the provisions of the Water Act 2016, the Company is an agent of Central Rift Valley Water Works Development Agency (CRVWDA) / County Government of Nakuru and it is mandated with the provision of water and sanitation services in the area under the jurisdiction of Nakuru town east and Nakuru town west sub-counties and its environs.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(i) Statement of compliance

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

(ii) Basis of preparation

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

The financial statements have been prepared in accordance with the Public Finance Management Act 2012, Companies Act 2015, State Corporations Act and International Financial Reporting Standards (IFRS).

(iii) Separate Financial Statements

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

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

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

- a. NAWASSCO is a wholly owned company of the County Government of Nakuru meaning the County Government has a direct 100% interest in the subsidiary Company, NAWASSCOAL.
- b. The nature of business for the two companies is different. NAWASSCO is a water and sanitation services provider with a cost recovery objective whereas NAWASSCOAL is a manufacturing and trading Company with a profit making objective.
- c. NAWASSCOAL Company's initial assets were funded by grants from donors. However, NAWASSCO has advanced it with a loan of Kshs13, 477,375.

The accounting policies adopted have been consistently applied to all the years presented.



3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

i) Relevant new standards and amendments to published standards effective for the year ended 30th June 2021

i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2021.*

Title	Description	Effective Date	Status
IAS 39-Financial Instruments: Recognition and Measurement	IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.	The company has evaluated its debtors and has written off KShs 94.3 million which is not correctable. The fixed deposits are carried at actual amount fixed as its not expected to impair before it matures in June 2021
IFRS 4- Insurance Contracts (Superseded)	IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted. The company is not affected by this IFRS.	The company is not affected by this IFRS.
IFRS 7- Financial Instrument Disclosures	IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier	The company has fixed deposits and debtors which has been disclosed in notes note 22



Title	Description	Effective Date	Status
	those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.	application is permitted.	
IFRS 16- Leases	IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.	The company has no significant leases that requires the adoption of this IFRS.

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

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or	Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.



Title	Description	Effective Date
	settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	

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

iii) Early adoption of standards

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

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

Revenue from water and sewerage charges represents amounts actually billed to customers for water consumption and sewerage.

- i) **Grants from National and County Governments** are recognized in the year in which the *NAWASSCO* actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- ii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iii) **Other income** is recognized as it accrues.

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.

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

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

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 costs of ongoing incomplete works on buildings and other civil works and installations.

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

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

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

No	Leasehold Land and Buildings	Over the remaining period of the lease
i.	Pumps and Motors	5 years
ii.	Motor Vehicles and Cycles	4 years
iii.	Furniture, Fittings and Office Equipment	8 years
iv.	Computers	3 years
v.	Water Meters	7 years
vi.	Prepaid Water Meter	5 years
vii.	Office Block	50 years
viii.	Software	3 years
ix.	Electric fence	8 years
x.	Network extensions	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate; at each balance sheet date Motor vehicles and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are



grouped at the lowest levels for which there are separately identifiable cash flows (cash - generating units).

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

d) Intangible assets

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

e) Amortization and impairment of intangible assets

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

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

f) Finance and operating leases

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

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

g) Fixed Deposit investments

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

h) Inventories

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

i) Trade and other receivables

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



j) Taxation

Current income tax

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

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

l) 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.



m) 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.

n) Retirement benefit obligations

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

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

o) Provision for staff leave pay

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

p) Budget information

The original budget for financial year 2020/21 was approved by the Board of Director and was subsequently submitted to the County Government on 29th May 2020

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

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

q) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

a) Estimates and assumptions

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

b) Comparative figures

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

c) Useful lives and residual values

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

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

d) Provisions

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

6. SALES / TURNOVER

	2020/2021 (KSHS)	2019/2020 (KSHS)
Water charges	619,793,988	741,710,906
Sewerage charges	316,084,729	245,366,333
Total	937,878,717	987,077,239

Other sales that relate to customer's water and sewer connections have been included in the water and sewer charges after adopting the Enterprise Resource Planning (ERP). The

Company accounted for 31.0 % (31.1 % 2019/20) of the water produced. The 31.0 % loss is due to technical and commercial losses.

7. COST OF SALES

	2020/2021	2019/2020
	(KSHS)	(KSHS)
Bulk water purchases	54,632,211	57,476,684
Chemicals	6,028,908	9,123,222
Electricity	228,517,992	239,642,129
Total	289,179,111	306,242,035

8. REVENUE GRANTS

	2020/2021	2019/2020
	(KSHS)	(KSHS)
Chemicals from JICA	2,757,300	-
Chemical grants from WSTF	2,237,371	-
Community health and hygiene support from UNICEF	4,413,720	-
Operations & Maintenance (O & M) support grant from WSTF	50,004,878	=
Total	59,413,269	-

9. FINANCE INCOME

	2020/2021	2019/2020
	(KSHS)	(KSHS)
Interest on fixed deposit	16,862,032	12,705,616
TOTAL	16,862,032	12,705,616

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

10. OTHER INCOME

	2020/2021	2019/2020
	(KSHS)	(KSHS)
House rent	269,800	287,050
Laboratory services	687,329	407,950
Interest on Savings	-	2,141
Empty chemical container sale	500	-
Payroll Recoveries	16,200	25,583
Insurance compensation	142,500	-
Interest on NAWASSCOAL Loan	673,869	571,364
Total	1,790,198	1,294,088

11 (a). ADMINISTRATION COSTS

	2020/2021	2019/2020
	(KSHS)	(KSHS)
Staff costs (note 8c)	269,104,096	281,182,991

Directors' expenses	11,875,415	6,719,490
Transportation, travelling and subsistence	15,281,949	18,855,022
Staff training expenses and subscriptions	1,397,153	4,067,637
Personnel medical and occupational health	12,104,430	8,818,003
Total	309,763,043	319,643,143

11(b). STAFF COSTS

	2020/2021	2019/2020
	(KSHS)	(KSHS)
Salaries and allowances of permanent employees	237,883,383	243,952,885
Wages of temporary employees	7,171,158	6,809,045
Compulsory national social security schemes	467,800	491,600
Other pension contributions	23,581,755	29,929,461
Total	269,104,096	281,182,991
	2020/2021	2019/2020
The average number of employees at the end of the year was:		
Permanent employees – Management	38	40
Permanent employees – Unionsable	138	147
Contract employees	12	27
Total	188	214

12. (a) OPERATING AND MAINTENANCE EXPENSES

	2020/2021	2019/2020
	(KSHS)	(KSHS)
Depreciation and Amortization	53,368,634	27,278,060
CRVWWDA debt repayment	39,468,545	78,488,546
Water Fittings	9,604,558	10,515,559
Professional Fees	11,697,640	10,799,397
Stationery and photocopying	2,883,824	3,290,211
Rent expenses	600,000	692,616
Abstraction and permit fee	5,456,470	5,479,854
Motor Vehicles repairs and maintenance	5,980,240	5,078,435
Insurance	3,642,186	2,653,319
Telephone	5,191,448	3,871,476
Security	16,180,000	16,081,970
Postage	680,726	1,880,682
Fuel and Lubricants	7,938,437	17,510,314
Other operating expenses	120,086,586	120,111,482
Total	282,779,294	303,731,921

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

(b) BAD DEBTS WRITTEN OFF

	2020/2021	2019/2020
	(KSHS)	(KSHS)
Bad debts written off	94,340,582	-

The bad debts were written off due to deaths of customers and other instances the customer had no access to water.

13(a) INCOME TAX EXPENSE

Current Taxation	2020/2021 (KSHS)	2019/2020 (KSHS)
Current taxation based on the adjusted profit for the year at 25%	4,918,117	-
Current taxation based on the adjusted profit for the year at 30%	5,901,740	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	10,819,857	-

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

	2020/2021 (KSHS)	2019/2020 (KSHS)
Profit before taxation	39,882,187	71,459,845
Add: Expense not deductible for tax purposes	54,699,418	27,394,060
Less: Expenses deductible for tax purposes	(42,421,269)	(73,422,714)
Adjusted loss for tax purposes	52,160,336	25,431,191
Tax losses B/F	12,815,402	(38,246,593)
Total profit C/F	39,344,934	(12,815,402)

13(b) INCOME TAX PAYABLE

Current Taxation	2020/2021 (KSHS)	2019/2020 (KSHS)
Income tax payable	10,819,857	-
Tax Paid (Withholding tax on interest)	(2,232,000)	-
Tax payable	8,587,857	-

14. OPERATING PROFIT/ (LOSS)

	2020/2021 (KSHS)	2019/2020 (KSHS)
The operating profit/(loss) is arrived at after charging/ (crediting):		
Staff costs (note 8b)	269,104,096	281,182,991
Depreciation of property, plant and equipment	34,855,204	23,783,076
Amortization of land and building	3,611,483	3,494,984



Nakuru Water and Sanitation Services Company Limited
Annual Reports and Financial Statements
For the year ended 30th June, 2021

Amortization of Intangible Assets	14,901,947	-
CRWWDA Administrative Fees	-	39,020,201
CRWWDA ADB Loan	39,468,545	39,468,545
Directors' expenses - fees	9,520,000	5,028,488
- others	2,355,415	1,691,002
Auditors' remuneration	765,000	382,500
Total	374,581,690	394,051,787

15. PROPERTY, PLANT AND EQUIPMENT

2020	Water Meters	Network Extensions	Pumps and Motors	Motor Vehicles including Motor Cycles	Computers & related equipment	Office equipment, electric fence, furniture & fittings	Capital work in progress	Total
COST OR VALUATION								
At July 1, 2020	95,037,170	87,098,461	75,596,860	18,889,671	20,816,523	20,788,497	5,719,159	323,946,341
Additions	14,924,917	7,894,959	7,633,422	29,816,000	9,353,680	150,900	-	69,773,878
Additions grants	-	55,230,913	-	-	-	-	-	55,230,913
CWIP	-	-	5,719,159	-	-	-	(5,719,159)	-
Disposals	-	-	-	-	-	-	-	-
At June 30, 2021	109,962,087	150,224,333	88,949,441	48,705,671	30,170,203	20,939,397	-	448,951,132
DEPRECIATION								
At July 1, 2019	(67,175,995)	(51,858,445)	(61,204,221)	(13,803,226)	(15,796,240)	(11,586,352)	-	(221,424,478)
Charge for the year	(9,041,313)	(1,394,810)	(8,345,091)	(9,036,700)	(5,623,689)	(1,413,601)	-	(34,855,204)
Charge for grants	-	(28,558,396)	-	-	-	(618,869)	-	(29,177,265)
At June 30, 2021	(76,217,308)	(81,811,651)	(69,549,312)	(22,839,926)	(21,419,929)	(13,618,822)	-	(285,456,947)
NET BOOK VALUE								
At June 30, 2021	33,744,780	68,412,681	19,400,129	25,865,745	8,750,274	7,320,575	-	163,494,185
2019	Water Meters	Network Extensions	Pumps and Motors	Motor Vehicles including Motor Cycles	Computers & related equipment	Office equipment, electric fence, furniture & fittings	Capital work in progress	Total
COST OR VALUATION								
At July 1, 2019	80,408,789	83,640,386	68,153,357	12,558,871	13,438,583	20,366,814	2,710,828	281,277,629
Additions	14,628,381	3,458,075	7,443,503	6,330,800	7,377,939	421,683	5,719,159	45,379,540
CWIP	-	-	-	-	-	-	(2,710,828)	(2,710,828)
Disposals	-	-	-	-	-	-	-	-
At June 30, 2020	95,037,170	87,098,461	75,596,860	18,889,671	20,816,523	20,788,497	5,719,159	323,946,341
DEPRECIATION								
At July 1, 2019	(59,519,224)	(33,456,154)	(51,824,687)	(12,073,126)	(13,019,213)	(9,419,454)	-	(179,311,857)



2019								
Charge for the year	(7,656,771)	(691,615)	(9,379,534)	(1,730,100)	(2,777,026)	(1,548,030)	-	(23,783,076)
Charge for grants	-	(17,710,676)		-	-	(618,869)	-	(18,392,545)
At June 30, 2020	(67,175,995)	(51,858,445)	(61,204,221)	(13,803,226)	(15,796,240)	(11,586,352)	-	(221,424,478)
NET BOOK VALUE								
At June 30, 2020	27,861,176	36,222,615	14,392,640	5,086,444	5,020,283	9,202,145	5,719,159	102,521,863

16. INTANGIBLE ASSETS

	2020/2021	2019/2020
	(Kshs)	(Kshs)
COST		
At July	35,520,789	5,233,596
Additions	14,460,226	30,287,193
Disposals	=	=
At June 30 th 2021	49,981,015	35,520,789
AMORTISATION		
At July	(5,232,540)	(5,232,540)
Charge for the year	(14,901,947)	-
Disposals	-	-
Impairment loss	-	-
At June 30 th 2021	(20,134,487)	(5,232,540)
NET BOOK VALUE	29,846,528	30,288,249

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

17. (a) LAND AND BUILDING

	Lease hold land	Buildings	Total
	(Kshs)	(Kshs)	(Kshs)
COST			
At July 1 st 2020	50,000,000	94,891,520	144,891,520
Additions	-	-	-
Disposals	-	-	-
At June 30 th 2021	50,000,000	94,891,520	144,891,520
AMORTISATION			
At July 1 st 2020	(11,872,335)	(14,369,001)	(26,241,336)
Charge for the year	(448,433)	(3,163,051)	(3,611,483)
Charge on revaluation	(1,218,234)	=	(1,218,234)
At June 30 th 2021	(13,539,002)	(17,532,051)	(31,071,053)
NET BOOK VALUE			
At June 30 2021	36,460,998	77,359,469	113,820,467
At June 30 2020	38,127,665	80,522,519	118,650,184



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

17(b) REVALUATION RESERVE

	2020/2021	2019/2020
	(Kshs)	(Kshs)
Revaluation of land and office block	35,485,882	36,640,845
Amortisation on revaluation	(1,218,234)	(1,181,963)
Total	34,240,647	35,458,882

18. INVENTORIES

	2021	2020
	(Kshs)	(Kshs)
Technical stocks and stationery	21,924,416	29,333,308
Total	21,924,416	29,333,308

These relates to water chemicals, water fittings, and office stationery.

19(a) TRADE AND OTHER RECEIVABLES

	2020/2021	2019/2020
	(Kshs)	(Kshs)
Trade receivables	760,911,266	789,688,516
Bad debts written off	(94,340,582)	-
Net trade receivables	666,570,684	789,688,516
Other Receivables		
Deposits and prepayments	11,313,327	11,225,327
VAT recoverable	15,093,230	15,093,230
Staff receivables	28,334	-
Staff Debtor-A Turgut, M Muchai, G. Nyaata & B. Muibu	3,219,256	-
NAWASSCOAL Loan	13,477,375	13,477,375
Cash collection by Posta	182,641	207,584
Advance payment on purchase of pump set	772,424	-
Accrued Interest on NAWASSCOAL Loan	1,195,748	521,879
Accrued interest on fixed Deposit	2,790,699	808,667
Total trade and other receivables	714,643,719	831,022,578

The loan to NAWASSCOAL relates to an amounts which was loaned to the subsidiary company in two tranches Kshs 4,621,945 on 3rd November 2018 and Kshs 8,885,430 on 30th

November 2019 whose repayment will start on 31st October 2021 and 31st October 2020 respectively. Both loans attract an interest rate of 5% is chargeable per year.

19(b) STAFF RECEIVABLES

	2020/2021	2019/2020
	(Kshs)	(Kshs)
Gross staff loans and advances	28,334	-
Provision for impairment loss	-	-
Less: Amounts due within one year	-	-
Amounts due after one year	-	-

20. SHORT TERM DEPOSITS

	2021	2022
	(Kshs)	(Kshs)
Fixed deposit	160,000,000	160,000,000
Call deposit	50,000,000	-
Investment in subsidiary (NAWASSCOAL)	100,000	100,000
Accumulated Investments	210,100,000	160,100,000

(a) Fixed Deposit

The company on 8th June 2020 invested Kshs160, 000,000 in a fixed deposit at Cooperative Bank at interest rate of 9.30%.and on 19th August, 2020 it also invested Kshs 50,000,000 on call deposit at Cooperative Bank at interest rate of 5.0%. The fixed deposit matured on 8th June 2021. The company re-invested Kshs160, 000,000 on 15th June 2021 at Cooperative bank at interest rate of 9.30% which will mature on 15th June 2022. The company has accrued interest up to 30th June 2021 of Kshs 2,790,699.

(b) Investment in subsidiary – NAWASSCOAL

Company	Activity	Ownership	2021	2022
			(Kshs)	(Kshs)
NAWASSCOAL	Manufacturing of Briquettes	100%	100,000	100,000

21. BANK AND CASH AND CASH EQUIVALENTS

	2020/2021	2019/2020
	(Kshs)	(Kshs)
Cash in bank	213,546,574	136,701,544
Cash at hand	-	-
Total	213,546,574	136,701,544

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

Detailed analysis of the cash and cash equivalents

Account	2020/2021	2019/2020
---------	-----------	-----------

	Number	(Kshs)	(Kshs)
a) Current account			
Co-operative bank (Revenue A/C)	01136087648601	94,187,743	14,296,657
Co-operative bank (Expenditure A/C)	01136087648600	58,917,343	315,418
Co-operative bank (Savings A/C)	01100087648600	37,646,837	116,257,340
Co-operative bank (Water Worx A/C)	01136087648611	470,679	831,330
Co-operative bank (NACOSTEC A/C)	01136087648612	489,356	107,440
Co-operative bank (WSTF CLSG A/C)	01136087648613	11,338,233	-
Co-operative bank (KeNHA Pipeline re-location A/C)	01136087648614	(123)	-
Co-operative bank (Performance Guarantee A/C)	01246087648600	7,396,378	-
Family bank – revenue collection	018000046253	2,056,338	2,513,236
Mpesa receivable from Safaricom		138,112	156,855
Equity bank – revenue collection	0310261237839	905,678	2,223,268
Grand total		213,546,574	136,701,544

22. ORDINARY SHARE CAPITALS

	2020/2021 (KSHS)	2019/2020 (KSHS)
Authorised:		
5,000 ordinary shares of Kshs.20 par value each	100,000	100,000
Issued and fully paid:		
5,000 ordinary shares of Kshs.20 par value each	100,000	100,000

23. RELATED PARTY DISCLOSURES

(a) County Government of Nakuru

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

(b) NAWASSCOAL Company Ltd

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

Other related parties include: -

1. Key Management
2. Board of Directors

Transactions with related parties

	2020/2021 (Kshs)	2019/2020 (Kshs)
i) Transactions with related parties		
Sales of goods /services to County Government of Nakuru	19,501,043	23,495,761
Sale of goods /services to NAWASSCOAL	161,099	184,210
Loan to NAWASSCOAL	=	8,855,330



Total	19,662,142	32,535,401
ii) Key management compensation		
Salaries and other short term employment benefits	34,477,932	37,550,551
Total	34,477,932	37,550,551
iii) Directors' Expenses		
Directors sitting allowance	9,520,000	5,028,488
Directors travel and general expenses	1,412,551	752,429
Chairman honorarium	942,864	938,573
Total	11,875,415	6,719,490
iv) Outstanding balances arising from sale and purchase of goods/services		
Non-current receivables from defunct Municipal Council of Nakuru	215,703,436	215,703,436
Currently County Government of Nakuru	39,806,567	46,273,188
NAWASSCOAL and Water bills	13,638,474	13,477,375
Total	269,148,477	275,453,999

c) Assets and Liabilities Transferred

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

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

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

On 26th July 2011 Kenya Power responded that according to their records there was no amount owing and that it was not possible to provide the details of who settled the bills. In view of the Kenya Power response, the Board of Directors resolved that the amount be written off against a reserve of assets Transferred to the Company at inception. After the adjustment and payment of staff employees' deduction (Pension to LAPTRUST) Kshs6

145,100 the Non-current accounts payable reduced to Kshs174, 052,100 as at 30th June 2019 while the reserve of assets transferred increased to Kshs.262, 893,991.

	2020/2021	2019/2020
	(Kshs)	(Kshs)
Long term liability movement		
National Water Corporation	168,490,370	168,490,370
NSSF	5,562,345	5,562,345
Share Capital in NAWASSCOAL	<u>100,000</u>	<u>100,000</u>
TOTAL	174,152,715	174,152,715

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

24. DEFERRED INCOME

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

(i) Grant Project funded by WSTF

	2021	Amortization	2020
	(Kshs)		(Kshs)
WSTF-Rhonda Project	1,140,960	(2,499,248)	3,640,208
WSTF-Kaptembwa Project	1,074,344	(2,365,760)	3,440,104
WSTF-London /Manyani	2,810,846	(2,181,488)	4,992,334
WSTF-Free area/Kiratina	2,605,269	(2,628,615)	5,233,884
WSTF Project Mzee Wanyama	2,497,476	(2,652,396)	5,149,872
WSTF Project Prepaid Meters	210,916	(639,844)	850,760
Githima, Bondeni & Misonge WSTF Project	2,283,832	(839,513)	3,123,345
Baruti WSTF Project	2,392,805	(1,154,790)	3,547,592
Pre-paid water Meters & Maji Soko kiosks	1,711,629	(1,766,423)	3,478,052
Grant from WSTF –QSOF projects	<u>10,255,400</u>	=	=
Total Funds	26,983,477	(16,728,077)	33,456,154

(ii) Grant Prepaid Meters by SUWASA

	2021	2020
	(Kshs)	(Kshs)
Cost	11,137,096	11,137,096
Accumulated Amortization	(11,137,076)	(11,137,076)
Charged for the year	-	-
Totals funds	20	20

(iii) Grants by Vitens Evides

Project	2021	2020
	(Kshs)	(Kshs)
Cost as at 1 st July 2020	7,678,166	4,312,027
Additions- Materials and labour for projects	45,428,404	3,366,139

Accumulated Amortization	(4,297,555)	(4,297,555)
Amortization charge for the year	(9,869,817)	-
	38,939,198	3,380,611

(iv) Grants by County Government of Nakuru

	2021	2022
	(Kshs)	(Kshs)
Cost	4,950,950	4,950,950
Accumulated Depreciation	(1,856,607)	(1,237,738)
Charge for the year	(618,869)	(618,869)
Totals funds	2,475,474	3,094,343

(v) Grants by UNICEF

	2021	2022
	(Kshs)	(Kshs)
Cost	9,802,510	-
Amortization charge for the year	(1,960,502)	-
Totals funds	7,842,008	-

25. TRADE AND OTHER PAYABLES

	2020/2021	2019/2020
	(Kshs)	(Kshs)
Trade payables	617,951,432	635,795,277
Accrued expenses	-	382,500
Other payables	133,077,908	128,834,403
Grand total	751,029,340	765,012,180

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

26. CONTINGENT LIABILITIES

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

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

27. FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management program focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

(i) Credit risk

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

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

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

	Total Amount	Fully Performing	Past Due	Impaired
	(Kshs)	(Kshs)	(Kshs)	(Kshs)
At 30th June 2021				
Receivables from exchange transactions	714,643,719	201,910,474	512,733,245	-
Bank balances	<u>213,546,574</u>	<u>213,546,574</u>	=	=
Total	928,190,293	415,457,048	512,733,245	-
At 30th June 2020				
Receivables from exchange transactions	831,022,578	198,858,264	632,164,314	-
Bank balances	<u>136,701,544</u>	<u>136,704,544</u>	=	=
Total	967,724,122	335,562,808	632,164,314	-

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

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

ii) Liquidity risk management

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

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

	Less than 1 month	Between 1 & 3 Months	Over 5 Months	Total
	(Kshs)	(Kshs)	(Kshs)	(Kshs)
At 30th June 2021				
Trade payables	23,911,453	27,260,535	566,779,444	617,951,432
Customer Deposits	598,112	1,794,336	91,521,099	93,913,547
Unclaimed Mpesa receipts	-	-	1,053,464	1,053,464
Employee benefit obligation	5,212,000	-	6,710,182	11,922,183
Pipeline relocation funds & uncredited customers		1,692,025	705,823	2,397,848
WaterWorx Projects. Withholding taxes and revolving fund	-	-	2,495,863	2,359,355
Customer pre-payments	<u>1,071,576</u>	<u>2,143,151</u>	<u>18,216,784</u>	<u>21,431,511</u>
Total				750,243,807
At 30th June 2020				
Trade payables	54,687,048	31,684,615	549,423,614	635,795,277
Customer Deposits	586,393	1,500,000	84,649,809	86,736,202
Accrued audit fees	382,500	-	-	382,500
Unclaimed Mpesa receipts	-	-	1,029,928	1,029,928
Employee benefit obligation	4,013,500	-	-	4,013,500
Customer pre-payments	6,927,341	8,659,176	19,050,188	34,636,705
WaterWorx Projects and revolving fund	-	-	<u>2,418,067</u>	<u>2,418,068</u>
Total				765,012,180

(iii) Market risk

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

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

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies. There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.



iv) Interest rate risk

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

Management of interest rate risk

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

(i) Capital Risk Management

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

	2021	2022
	(Kshs)	(Kshs)
Revaluation reserve	34,240,647	35,458,882
Retained earnings	269,234,793	131,068,829
Capital reserve	<u>340,216,768</u>	<u>302,925,119</u>
Total funds	643,692,208	469,452,830

28. INCORPORATION

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

29. EVENTS AFTER THE REPORTING PERIOD

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

30. CURRENCY

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

31. CAPITAL COMMITMENTS

The company did not have any capital commitments outstanding as all projects / capital works undertaken were completed during the year and capitalized.



APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)	
1. REPORT ON THE FINANCIAL STATEMENTS						
Basis for Qualified Opinion						
1. Undisclosed Loan from African Development Bank (ADB)	<p>The statements of profit or loss and other comprehensive income reflects operating and maintenance costs of Kshs. 303,731,921 (2019 -Kshs. 295,719,736) as disclosed under Note 8(d) to the financial statements. Included is the ADB Loan repayment amount of Kshs. 39,468,540 as disclosed at the footnote to note 8(d). As previously reported, although the Company procured the amount of Kshs. 994,706,658 from African Development Bank (ADB) through Rift Valley Water Works Development Agency</p>	<p>According to the Water Act 2002, the development of water and sanitation infrastructure was the work of Water Service Boards who appointed agents to operate and maintain the assets while the ownership remained with the Service Boards. Further, the Act was reviewed in 2016, however as at 30th June, 2020 this Act was not fully operationalised through a regulation hence assets acquired by / obligations by CRVWWDA then RVWSB had not been transferred to the Company for proper accounting. The then Transitional Authority also did not remedy this situation for the County Government, Water Companies and Water Service Boards.</p> <p>In brief, the former Rift Valley Water Services Board (RVWSB) now Central Rift Valley Water Works Development Agency (CRVWWDA) being the owner of the water assets in the year 2004-2009 obtained a loan from the Government of Kenya for the construction of the Olbania Project and other related works. After the completion of the project RVWSB handed over the project to the company for operations and maintenance but retained the ownership of the assets.</p> <p>According to the loan documents provided by Rift Valley Water Services Board (RVWSB), the Government of Kenya acting through its Ministry of Finance in the year 2005 signed a loan agreement with RVWSB for</p>	Isaac Mahori Finance Manager	M.	Not resolved	30 th June, 2022



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
	<p>(RWWDA) and continues to service it, the outstanding loan balance is not reported on the financial statements as required by the standards. This is also in breach of section 628(3) of the Companies Act No.17 of 2015 which requires company accounting records to contain day to day entries of all amounts of money received and spent.</p> <p>Consequently, the accuracy and fair statement of the nil ADB loan position as at 30 June, 2020 could not be confirmed.</p>	<p><i>financing projects to improve water supply and sanitation services. The loan was from African Development Bank (AfDB) to the Government for on-lending to the RVWSB. (Appendix IV)</i></p> <p><i>The RVWSB was required to use the money for projects in its service area being served by Nakuru Water and Sanitation Services Company Ltd (NAWASSCO), Naivasha Water and Sanitation Services Ltd (NAIVAWASS) and Nakuru Rural Water and Sanitation Company Ltd (NARUWASSCO). The Principal loan amount was Kshs. 1,367,823,916.00 at an interest rate of 2.5% p.a over a tenor of 30 years including a grace period of 5 years which after completion of the various projects in each Company's area of jurisdiction was shared proportionately according to the projects undertaken. The portion for NAWASSCO was Kshs.994, 706,658 which we are servicing through RVWSB at Kshs.39, 468,544.80 p.a.</i></p> <p><i>The NAWASSCO works which were done using this loan included augmentation of bulk water supply from Olobanita wellfield, development of Olobanita wellfield & additional boreholes at Kabatini and Baharini wellfields, extensions and improvements to water and sanitation network and rehabilitation of bulk transmission mains from Meroroni, Kabatini & Baharini, installation of bulk meters, constant flow valves and ancillary works. Other areas where the money was used include capacity building, equipment, tools, consumer meters, consultancy and public awareness.</i></p> <p><i>It is important to note that the ownership of the project including the land on which the water facilities are sitting on is with the RVWSB. We are only using the assets to generate the revenues and remit part of the same to RVWSB/CRVWDA for loan</i></p>			



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
		<p>repayment. If we record the loan and the project in our books it would result to double accounting since the same is already recorded in the books of RVWSB/CRVWDA.</p> <p>We have correctly disclosed the contingent liability as a note as required in our financial statements as payable to RVWSB under Note 8 (d) and hence it should not be a basis for qualification.</p>			
2. Doubtful Reserve Assets Transferred	<p>As previously reported, the statement of financial position reflects reserve assets transferred balance of Kshs.262,893,991 and as disclosed under Note 18(c) to the financial statements. However, the balance is not supported by way of detailed analysis of customer accounts. This is contrary to Section 99(3) of the Public Finance Management (County Governments) Regulations, 2015 that requires every entry in the accounts to be supported by a voucher or document containing full details, clear narrations and particulars of the items to which it relates.</p>	<p>The amount of Kshs262, 893,991.00 as reported in the financial statements as Net- Assets Transferred from the Defunct Municipal Council of Nakuru relates to what was recorded in the deed of transfer agreement during the formation of the Company in the year 2004 which comprised of Kshs443, 091,806.00 as assets transferred and Kshs180, 197,815.00 as liabilities transferred resulting to a net asset reserve of Kshs262, 893,991. This therefore means that the amount of Kshs262, 893,991 is not assets but the difference between the transferred customer account balances (asset) and the liabilities.</p> <p>The assets transferred of Kshs443, 091,806.00 comprised of various customer balances (assets) while liabilities transferred related to Kshs 168,490,370 to National Water Conservation and Pipeline Corporation and Kshs 11,070,446 in respect of employees' contribution to LAP trust and NSSF. Attached please find a copy the deed of transfer agreement. (Appendix V)</p> <p>The company using the new ERP system is going to reduce the receives against the uncollectable debts that were inherited from the former Municipal Council of Nakuru. We therefore request you remove this item as a basis of qualification since it will be cleared before end of year 2020/2021.</p>	Isaac Makori - Finance Manager	Not resolved	30 th June, 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
	Consequently, the accuracy and fair statement of reserve assets transferred balance of Kshs.262,893,991 as at 30 June, 2020 could not be established.				
3. Long Outstanding Debt - Rift Valley Water Works Development Agency	<p>The statement of financial position reflects trade and other payables balance of Kshs765,012,180,(2019-Kshs. 683,831,716) and as disclosed under Note 17 to the financial statements.</p> <p>Included in the balance is trade payables balance of Kshs 635,795,277 which includes Kshs. 446,976,985; (2019 - Kshs. 410,356,723) owed to Rift Valley Water Works Development Agency on account of administrative fees payable that has accrued since the year 2013 due to instructions not to pay issued by the County Government of Nakuru. This is in breach of the</p>	<p>a) <i>Instructions from County Government of Nakuru not to pay CRVWDA Administrative fees.</i> <i>It is true that the Company stopped remittance of the administrative fees to Rift Valley Water Services Board (RVWSB) due to the instructions which the Company received from the County Government of Nakuru vide letter reference NCG/S/NWS/VOL.1/90 dated 2nd April, 2015</i></p> <p><i>The letter from County Government was written to RVWSB and copied to us with instructions not to pay until further notice. The letter was tabled before the Board of Directors which has a representation of the County Government of Nakuru for adoption and the way forward. It was resolved that since it was the shareholder who gave the instructions, the company did not have much to do except to wait for further instructions which we have not received to date.</i></p> <p><i>This issue will be discussed during next annual general meeting after which we shall give the amount a proper classification since in the current year we are not accruing the same as the Water Works Development Agencies are being financed by the National Treasury under the Water Act 2016 which is now partially fully operationalized.</i></p> <p>b). <i>Outstanding Balance to CRVWDA Kshs 275,796,820</i></p> <p><i>We have reconciled our records with</i></p>	Isaac Makori - Finance Manager	Not resolved	30 th June, 2022



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
	<p>service provision agreement. Further, records maintained at the Agency reflects receivables from the Company of Kshs. 275,796,820 resulting to an overstatement of Kshs. 171,180,165. No explanation has been rendered nor steps being taken by the company to resolve the matter.</p> <p>From the foregoing, the accuracy and fair statement of trade and other payables balance of Kshs. 765,012,180 as at 30 June, 2020 could not be confirmed.</p>	<p>those of CRVWDA and the outstanding amount is Kshs 275,796,820. The overstated amount of Kshs 171, 180,165 arose due to miscommunication on the full operationalization of the Water Act, 2016. This amount has been reclassified and allocated to the CRVWDA –AfDB loan repayment.</p> <p>After the reclassification, the outstanding balance for CRVWDA Administration fees moves from Kshs 446,976,985 to Kshs 275,796,820 while that of CRVWDA –AfDB loan repayment moves from Kshs 101,985,207 to Kshs 273,165,372.</p>			
Other Matter					
1. Budget Control and Performance	<p>The statement of comparison of budget and actual amounts reflects an approved revenue budget of Kshs. 1,080,817,628. The actual income for the year amounted to Kshs. 1,001,076,943</p>	<p>a. Shortfall on meeting the Budgeted revenue Kshs 1,080,817,628</p> <p>The company did not achieve the budgeted revenue due to the effect of Covid 19 Pandemic which made our customer businesses and schools to close down which are our major consumers as well as under production of water as the company produced 12,100,233 M³ instead of the budgeted volumes of 13,860,000M³ due to power outages and pumps breakdowns.</p>	Isaac Makori- Finance Manager	Not resolved	30 th June, 2022



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
	resulting to an overall a shortfall of Kshs. 77,312,438 or 7% of the budget. Management has not provided satisfactory explanations for the revenue shortfall that may have impacted negatively on service delivery to the residents of Nakuru town. In addition, out of the actual revenue of Kshs1,001,076,943, actual expenditure was Kshs929,917,098 resulting to an under absorption of Kshs 71,159,845 or 7%.	<p>b. Expenditure of Kshs 929,917,098 against revenue of Kshs 1,001,076,943</p> <p><i>We have noted that the under absorption (surplus) was Kshs71,459,844 or 7%. The surplus of Kshs71,159,844 was utilised to acquire assets (the ERP (Kshs30m), other assets (Kshs45m) during the year and therefore there is no under absorption of the actual revenues during the year.</i></p>			

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

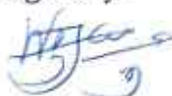
Basis of Conclusion

1. Non-Revenue Water	Available records indicate that the Company produced 12,100,233 cubic meters (M ³) of water, of which only 8,322,183 M ³ were billed to	<p><i>The company is very keen on reducing NRW to the sector bench mark levels of 25% and a lot of effort has been put into this resulting to a reduction of NRW level from previous year of 32% to 31% in the financial year under review.</i></p> <p><i>Some of the interventions planned to be undertaken within the current financial year to lower the NRW</i></p>	Margaret Kinyanjui Technical Manager	Not resolved	30 th June, 2022
-----------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------	--------------	-----------------------------



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
	<p>customers leaving out the balance of 3,778,050 M³ unbilled representing 31% of the production as Non-Revenue Water (NRW). The NRW exceeded the set threshold of 25% as approved by the Water Services Regulatory Board (WASREB) guidelines. No explanations have been rendered for the high NRW and measures being put in place to resolve the loss in revenue.</p>	<p><i>further include:</i></p> <ul style="list-style-type: none"> • Replacement of spaghetti network in Marwanga, Eastmore, Natewa and St Mary's in Eastern Zone which have recorded the highest level of NRW. • Establishment of 10 new TMAs within the Central Zone • Relocation of 3500 meters to the nearest mains in Southern Zone • Automation of water production sites by installing more efficient meters • Piloting on smart metering /meter reading • Installation of more efficient prepaid water ATMS at water kiosks • Installation of level sensors in storage tanks • Replacement of 3000 old and faulty meters • Utilization of GIS in NRW management 			

Signed By:



JAMES N. GACHATHI
MANAGING DIRECTOR



GLADYS ACHIENG' NDEDA
CHAIRMAN OF THE BOARD



APPENDIX II: PROJECTS IMPLEMENTED BY THE COMPANY

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Increasing sustainable Access to Water in Low-Income Areas through Improved and pre-paid Water Kiosk	1	Vitens Evides International-WaterWorx	September 2019- October 2021	25,185,174	Yes	Yes
Non-Revenue Water reduction Measures Water Worx project	2	Vitens Evides International-WaterWorx	July 2020- December 2020	6,457,951	Yes	Yes
Increasing Sustainable Access to Water & Sanitation through Combined Technologies (Eastern & Southern Zones)	3	Vitens Evides International-WaterWorx	September 2020 – June 2021	34,427,240	Yes	Yes
UNICEF Water Pipeline water Kiosks and Yard taps and community health and hygiene promotion	4	UNICEF	5 th December 20- May 2021	13,846,230	Yes	Yes

States of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Installation of tanks on elevated	16,323,878	16,323,878	100%	25,185,174	16,323,878	Vitens Evides International

	platforms, Laying and testing of 3kms dedicated pipe networks, Installation of pre-paid meters, software and kiosks refurbishments.						
2	Non-Revenue Water reduction Measures Water Worx project	6,457,951	6,457,951	100%	6,457,951	6,457,951	Vitens Evides International
3	Increasing Sustainable Access to Water & Sanitation through Combined Technologies (Eastern & Southern Zones)	28,274,530	28,274,530	100%	34,427,240	28,274,530	Vitens Evides International
4	UNICEF Water Pipeline ,water Kiosks and Yard taps	13,846,230	13,846,230	100%	13,846,230	13,846,230	UNICEF

APPENDIX III: INTER-ENTITY TRANSFERS

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

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

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

