

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

REPORT

OF

THE AUDITOR-GENERAL

ON

NAKURU WATER AND SANITATION  
SERVICES COMPANY LIMITED

FOR THE YEAR ENDED  
30 JUNE, 2024

**Nakuru Water and Sanitation Services Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2024**



*Enriching Life*

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

**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2024**

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

**Nakuru Water and Sanitation Services Company Ltd.**  
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**1. Acronyms and Glossary of Terms**

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

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**2. KEY COMPANY INFORMATION**

**Background information**

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

**Principal Activities**

**Vision**

“To be the Leading Water Utility in Kenya”

**Mission**

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

**Core Values**

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

Our core values include the following:

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

The principal activities of the Company are to: -

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

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- vi. To prepare proposals for improvement of the assets so as to enhance service delivery. To propose tariff adjustments to the Licensee and Regulator.

**Shareholding**

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

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

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

**Directors**

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

1. Ernest Kiarie Muibu	Chairman	Appointed on 1 <sup>st</sup> Jul 2022
2. Eng. James N. Gachathi	Managing Director	Reappointed on 23 <sup>rd</sup> Oct 2022
3. S. Irebe Njogu	Non-Executive Director	Appointed on 25 <sup>th</sup> Jan 2023
4. Dr Nelson T Maara	Non-Executive Director	Appointed on 25 <sup>th</sup> Jan 2023
5. Dr Julius Ogeto	Non-Executive Director	Appointed on 18 <sup>th</sup> Mar 2024
6. Peter K. Kimani	Non-Executive Director	Appointed on 18 <sup>th</sup> Mar 2024
7. Rachael Maru Chepkorir	Non-Executive Director	Appointed on 18 <sup>th</sup> Mar 2024
8. Catherine N. Kamau	Non-Executive Director	Appointed on 18 <sup>th</sup> Mar 2024
9. Andrew K. Komen	Non-Executive Director	Appointed on 18 <sup>th</sup> Mar 2024
10. CPA. Sebastian M. Kanyari	Non-Executive Director	Retired on 17 <sup>th</sup> Mar 2024
11. CPA. Charles Okeyo Owuor	Non-Executive Director	Retired on 17 <sup>th</sup> Mar 2024

**Registered Office**

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

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**Corporate Contacts**

Telephone: +254221269

E-mail: [info@nakuruwater.co.ke](mailto:info@nakuruwater.co.ke)

Website: [www.nakuruwater.co.ke](http://www.nakuruwater.co.ke)

**Corporate Bankers**

Co-operative Bank of Kenya

Nakuru Branch

P.O. Box 2982-20100

**NAKURU**

Equity Bank

Kenyatta Avenue Branch

P.O Box 3178-20100

**NAKURU**

Family Bank

Kenyatta Avenue Branch

P.O Box 519-20100

**NAKURU**

**Independent Auditors**

Auditor-General

The Office of the Auditor-General

Anniversary Towers, University Way

P.O. Box 30084- GPO 00100

**NAIROBI**

**Principal Legal Advisers**

County Attorney

County Government of Nakuru

P.O Box 2870-20100

**NAKURU**


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**3. BOARD OF DIRECTORS**

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

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

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

NO.	NAME	PROFILE
1.	 <p><b>Ernest Kiarie Muibu</b> <b>Non-Executive (Chairman)</b></p>	<p>Mr Muibu, 66, was appointed on 1<sup>st</sup> July, 2022 to represent Resident Organizations and he is the <b>Chairman of the Board</b>.</p> <p>He is currently the Managing Director of Avenue Suites Hotel in Nakuru, Vice chairman -Unitas Sacco, advisory member, Vice Chairman-So They Can, (an NGO that empowers children living in poverty through education). The Chairman-Operation Eyesight Universal, and a Director of Carnations Dry-cleaners-Nakuru</p> <p>Mr. Muibu has had the opportunity to serve in the defunct Municipal Council of Nakuru as a Town Clerk from 1997 to 1999. Mr. Muibu worked as a Principal Auditor, Auditor General State Corporations-Nakuru from 1990 to 1997. From 1983 to 1990, Mr. Muibu was the Assistant Inspector of State Corporations (Office of the President)-Nairobi.</p> <p>Mr. Muibu holds a B. Sc Degree in Business Administration from Emperia states university USA and associate of science degree in Intensive retailing, a post graduate diploma in (Performance Auditing) from university of Connecticut USA.</p>

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2.



**S. Iribe Njogu**  
**Non- Executive Director**

Mr. Iribe was appointed on 25<sup>th</sup> January, 2023 and he represents the County Government of Nakuru. He is the County Executive Committee Member (CECM) in charge of Finance and Economic Planning.



Mr Iribe is a dependable and devoted executive with over 16 years of professional experience. Keen to support and a team player with excellent organizational and analytical skills. Also, ready to redesign to ensure efficiency, accountability and implementing a modernized work environment.

Before joining the County Government of Nakuru he was working at Bigfoot Risk Management & Consultancy Ltd in Nairobi Jun 2020 a Consultancy firm & sourcing company with offices in Nairobi, Accra & New Jersey. He had previously worked at Soft Trace Apparels EPZ Ltd, Nairobi from March 2016 to April 2020 in charge of running garment production plant for export to the United States market, and sourcing for new markets for the products. He also worked as a Chief Executive Officer at Soft Ventures East African Ltd, Nakuru, Nairobi & Kampala from December 2010 to January 2016 incharge of running the company in uganda & kenya having started in Kampala Uganda managed to expand to Kenya and Rwanda. He had also worked as Managing Director at XPD in Accra, Ghana and Togo.

Iribe has Bachelors of Science in Business Administration degree from Kwame Nkuruma University of Science & Technology, Kumasi Ghana. He also has Diploma in Applied Biology from Mombasa Polytechnic University College, Mombasa. He is an Associate of Science and Applied Science

**Committee Membership:** Finance & Staff Committee and Audit & Governance Committee



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<p>3.</p>  <p><b>Dr Nelson T. Maara</b>  <b>Non-Executive Director</b></p>	<p>Dr.Maara, was appointed on 25<sup>th</sup> January, 2023 and he represents the County Government of Nakuru. He is the County Executive Committee Member (CECM) of the Department of Water, Energy, Environment, and Natural resources. Prior to this appointment, he was a Lecturer Egerton University, Faculty of Environmental Studies and Resource Development. Dr Maara had previous served in the County Government of Nakuru as a Chief Officer, Water, Environment, Energy and Natural Resources. He has also served as a member of the National Forestry Society and Mau Forest Conservation Committee.</p> <p>Dr Maara has a PhD in Natural Resource Management from Egerton University, an MSc in Natural Resource Management from Egerton University and a B.Sc in Forestry from Moi University.</p> <p>He is a leader in forest management, policy development, sustainable development and water project management.</p> <p><b>Committee Membership:</b> Technical &amp; Social Committee and Audit &amp; Governance Committee</p>
<p>4.</p>  <p><b>Dr. Julius Ogeto</b>  <b>Non-Executive Director</b></p>	<p>Dr. Julius Ogeto 67, was appointed on 18<sup>th</sup> March, 2024 and he represents Professional Bodies. Dr Ogeto is a private medical practitioner in Nakuru County.</p> <p>Dr Ogeto has previous served as Chief Medical Officer at National Olympic Committee of Kenya, Nakuru Provincial General Hospital and Iten District Hospital.</p> <p>Dr Ogeto holds a Bachelor of Medicine and Surgery from University of Nairobi and a member of the Kenya Medical Practitioners and Dentist Council. In addition Dr Ogeto is one of the medical practitioners who give medical care to Kenya Athletes both local and international.</p> <p><b>Committee Membership:</b> Audit &amp; Governance Committee and Technical &amp; Social Committee</p>

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5.	<p><b>SERVICES CO.LTD</b></p>  <p>Peter K. Kimani  <b>Non.Executive Director</b></p>	<p>Mr Peter Kimani 59, was appointed on 18<sup>th</sup> March, 2024 and he represents the Local Manufacturers.</p> <p>Kimani holds a Bachelor of Commerce degree from Inoorero University. He has Managerial and supervisory experience gained from Celerity and Howard Hunt, Croda Resin Ltd and Begg &amp;Co thermoplastics, all of United Kingdom</p> <p><b>Committee Membership:</b> Finance &amp; Staff Committee and Audit &amp; Governance Committee</p>
6.	 <p>Rachael Maru Chepkorir  <b>Non.Executive Director</b></p>	<p>Rachael Chepkorir 49, was appointed on 18<sup>th</sup> March, 2024 and she represents Special Interest Groups.</p> <p>Rachael holds a Diploma in Technical Education Programme (TEP) pursuing a degree in Bachelor of Science in Community Development at Egerton University. Rachael has rich experience in community work sponsored by NGOs such as Kenya Red Cross.</p> <p>Rachael served as a nominated member of the County Assembly of Nakuru between 2017 to 2022</p> <p><b>Committee Membership:</b> Finance &amp; Staff Committee and Audit &amp; Governance Committee</p>
7.	 <p>Catherine N. Kamau  <b>Non.Executive Director</b></p>	<p>Catherine Kamau, 45 was appointed 18<sup>th</sup> March, 2024 and she represents Learning Institutions</p> <p>Catherine holds a Degree in Development Studies from Mount Kenya University and Diploma in Community Development and Social Work.</p> <p>Catherine served as a nominated member of the County Assembly of Nakuru between 2017 to 2022. She also served as a member of Nakuru East Sub County Alcoholic Drinks Regulation Committee. She is also an entrepreneur in horticulture export business.</p> <p><b>Committee Membership:</b> Finance &amp; Staff Committee and Technical &amp; Social Committee</p>

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<p>8.</p>  <p>he leading utility in t  ate Re sustain:  utions t nt of O  OUR VALUES</p> <p><b>Andrew K. Komen</b>  <b>Non.Executive Director</b></p>	<p>Andrew Kibet 47, was appointed on 18<sup>th</sup> March, 2024 and he represents Local Business Community.</p> <p>He has a wide experience in the construction industry as well as a wealth of experience in large scale farming.</p> <p><b>Committee Membership:</b> Finance &amp; Staff Committee and Audit &amp; Governance Committee</p>
<p>9.</p>  <p><b>Eng. James N. Gachathi</b>  <b>Managing Director</b></p>	<p>Eng. Gachathi, 54, was re-appointed on 23<sup>rd</sup> October 2022 as the Managing Director. Before his appointment as the Managing Director in 2014, Eng. Gachathi was the Technical Manager having been appointed on 23<sup>rd</sup> October 2007.</p> <p>Before joining the Company, Eng. Gachathi was the Technical Manager of Nyahururu Water and Sanitation Company. He has a Degree in Bachelor of Science in Civil Engineering from University of Nairobi and on – going student of MBA (Strategic Management Option) at Egerton University.</p> <p>He is the Board Secretary and has a rich experience in Water Sector spanning for over 27 years</p>

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**4. KEY MANAGEMENT TEAM**

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

The following are the Corporate Management Team: -

NO	NAME	PROFILE
1.	 <p data-bbox="277 1031 581 1115"><b>Eng. James N. Gachathi</b> <b>Managing Director</b></p>	<p data-bbox="625 621 1531 783">Eng. Gachathi, 54, was re-appointed on 23rd October 2022 as the Managing Director. Before his appointment as the Managing Director in 2014, Eng. Gachathi was the Technical Manager having been appointed on 23<sup>rd</sup> October 2007.</p> <p data-bbox="625 831 1523 915">Before joining the Company, Eng. Gachathi was the Technical Manager of Nyahururu Water and Sanitation Company.</p> <p data-bbox="618 957 1520 1083">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="613 1125 1479 1167">He has a rich experience in Water Sector spanning for over 27 years</p>
2.	 <p data-bbox="285 1587 537 1713"><b>CPA Isaac Mokaya</b> <b>Makori</b> <b>Finance Manager</b></p>	<p data-bbox="605 1167 1511 1503">CPA Makori, 54, was re-appointed on as the Finance manager on 18<sup>th</sup> May 2023. Before joining the Company in 2009, C Makori had previously worked at Pyrethrum Board of Kenya. He is experienced in Financial and Management Reporting, people management, monitoring and evaluation, Taxation and project Accounting. He served as a member of the Local Committee at Kenya Revenue Authority, Nakuru for 2 years and he also served as a BOM member in various schools.</p> <p data-bbox="589 1545 1503 1881">CPA Makori holds a degree in Bachelor of Commerce (Accounting Option) from Kenyatta University and an MBA (Finance Option) from Kenya Methodist University. He is a CPA (K) and a Member of the ICPAK. He is also a Certified M&amp;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 29 years of work experience.</p>

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<p>3.</p>	 <p><b>CPA James Muthee Gathairu Commercial Manager</b></p>	<p>CPA Gathairu, 54, was re-appointed as the Commercial Manager on 18<sup>th</sup> May 2023. Before joining the Company in 2009, CPA Gathairu was an accountant with Kenindia Assurance Co. Ltd for 7years and Chief Accountant with Blue Shield Insurance Co. Ltd for 7years. He has a rich experience in finance and business development spanning for over 29 years.</p> <p>CPA Gathairu holds a degree in Bachelor of Arts (Business Studies &amp; Economics) from Kenyatta University and an MBA (Finance Option) from University of Nairobi. He has CPA (K) and he is a Member of ICPAK. He also has a certificate in Strategic Leadership Development Programme (SLDP) from the Kenya School of Government (KSG), Lower Kabete Campus.</p>
<p>4.</p>	 <p><b>CPA Joseph John Githinji Internal Audit Manager</b></p>	<p>CPA Githinji, 48, was re- appointed as the Internal Audit Manager on 1<sup>st</sup> November 2019.</p> <p>Before joining the Company 2013, CPA Githinji previously worked with M/s Kariru &amp; Associates (Certified Public Accountants), Kenya Wildlife Service (KWS) (Ag. Manager Internal Audit and Mombasa Water (Internal Audit Manager).</p> <p>He has a rich experience in Accounting and Auditing spanning for over 24 years.</p> <p>CPA Githinji holds a degree in International Business Administration (Finance Option) from United States International University (USIU). He has CPA (K) and CS (K). He is a Member of the ICPAK and ICPS (K).</p>
<p>5.</p>	 <p><b>Willy Kibet Procurement Manager</b></p>	<p>Mr. Kibet, 36, was appointed on 1<sup>st</sup> March 2019.</p> <p>Before joining the company, Mr. Kibet worked as a Tutorial Fellow for Maseno University. Prior to Maseno University, he was Assistant Director Procurement, County Government of Bomet and seconded to Bomet Water Company.</p> <p>Kibet holds a degree in Purchasing and Supplies Management and a master degree in Procurement and Logistics from Jomo 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>

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<p>6.</p>	 <p><b>Anthony Kipkurui Kamar ICT Manager</b></p>	<p>He has a rich experience in procurement spanning over 13 years.</p> <p>Mr Kamar, 36 was appointed on 1<sup>st</sup> 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 &amp; 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 13 years.</p>
<p>7.</p>	 <p><b>Carditor W. Muchoki Human Resource &amp; Admin. Manager</b></p>	<p>Ms Muchoki, 37 was appointed on 1<sup>st</sup> July, 2022. Previously she had worked as the Human Resource 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 13years experience in Human Resource Management.</p>
<p>8.</p>	 <p><b>Gilbert Mutai Ag. Manager</b></p> <p><b>Kipchumba Technical Manager</b></p>	<p>Eng. Mutai, 46, was appointed on 1<sup>st</sup> January 2023 as the Acting Technical Manager. Prior to his appointment, Mr. Mutai worked as the Water Distribution Manager from 2008.</p> <p>Mr. Mutai holds a Bachelor's degree in Civil Engineering from Egerton University and Currently pursuing MSc in Construction Engineering and Management at Jomo Kenyatta University of Agriculture and Technology, he also has a Diploma in Water Technology and has pursued training in hydraulic Modelling (2022), Sustainable Urban water and sanitation in Sweden &amp; Uganda (2017) and strengthening Capacity building in non-revenue water reduction in Tokyo Japan (2018). He is a member of the Engineers Board of Kenya (EBK) and IEK.</p> <p>He has rich experience in Water and Sanitation management spanning over 20 years</p>

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**5. CHAIRMAN'S STATEMENT**

On behalf of the Board of Directors, am pleased to present to you an overview of the annual report and financial statements of the Company for the year ended 30<sup>th</sup> June 2024. The strong foundation that we have laid over time by embracing our vision to be the leading Water Utility in Kenya; supported by a robust governance structure; continue to drive growth in the Company.

**Key Activities**

During the year under review, the demand for water and sanitation services in Nakuru continued to increase due to expansion of Nakuru Town given the limited sources of water. The water demand was at over 75000m<sup>3</sup> per day against an average target supply of 40,000m<sup>3</sup> per day which the National Government and County Government are addressing by increasing the number of the boreholes from 26 No. to 40 No. so as to bring more water to Nakuru City. During the year a total of 33,190m<sup>3</sup> (32,785m<sup>3</sup> 2022/23) per/day was achieved due to power failure and breakdown of pumps. This resulted to the company achieving an average of 20 hours of supply per a day.

On Non-Revenue Water (NRW), the Company achieved 26% (29% 2022/23) against the sector benchmark of 25%. This was done by continuing with the installation of master zonal meters and consumer smart enabled meters to monitor and track the flow of water and its losses. This exercise was undertaken so as to be able to measure the amount of water that is supplied to a particular area with a view of ascertaining the NRW.

**Achievements**

In the Water Services Regulatory Board 16<sup>th</sup> Impact Report the company was ranked as the best performing in the county.

During the period under review, the company implemented various strategic goals on water and sanitation service improvement, operational efficiency and customer service, financial sustainability and institutional capacity strengthening.

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

On the part of the community, the company continued to interact with its customers through social media such as WhatsApp, Twitter and Facebook on matters to do with water supply and interruptions. The Company also on its part of corporate social responsibility participated in the National tree planting activities which will go a long way in the efforts towards climate resilience.

During the year, the Company continued to supply water and sanitation to customers. The number of customers increased to 49,274 (2022/23 48,395).

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

**Challenges**

The cost of electricity was high due to the fact that over 90% of the water is from boreholes which are very expensive to pump water. The company together with other water companies and development partners is looking for alternative sources power such as solar 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 40,000m<sup>3</sup> of water per day against a demand of 75,000m<sup>3</sup> of water per day. This is being

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addressed through other mechanisms that include partnerships with County Government of Nakuru, Central Rift Valley Water Works Development Agency (CRVWWDA) and National Government. However, the company received a conditional grant from Water Sector Trust Fund to drill 10 No. additional boreholes.

The construction of the Itare Dam water project funded by the Italian Government was stopped 6 years ago due to the financial difficulties facing the contractor. The project was expected to produce over 100,000m<sup>3</sup> of water per day of which 70,000m<sup>3</sup> of water per day will get to Nakuru Town. The National Government and County Government of Nakuru are working towards getting another donor to fund the Itare Dam Project.

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

#### **Future Outlook**

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

#### **Appreciation**

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

To the management and staff, we thank you for your continued commitment to delivering improved and more reliable services to our customers and together we celebrate our achievements for the year 2023/2024.

Thank you and May God Bless You all

**ERNEST K. MUIBU**   
**CHAIRMAN, BOARD OF DIRECTORS**

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**6. REPORT OF THE MANAGING DIRECTOR**

I am pleased to present the Annual Report and Financial Statements of the Company for the year ended 30<sup>th</sup> June 2024. This is the 20<sup>th</sup> annual report and financial statements for the Company and demonstrates how far we have come.

**Key Activities**

During the period under review, the company implemented various strategic goals on water and sanitation service improvement, operational efficiency and customer service, financial sustainability and institutional capacity strengthening. This was aimed at improving service delivery and ensuring achievement of set targets by emphasizing on areas of priority in the provision of water and sanitation services.

On Non-Revenue Water (NRW), the Company achieved 26% (29% in 2022/2023) against the sector benchmark of 25%. This was done by continued installation of master zonal meters and smart enabled consumer meters to monitor and track the flow of water and its losses.

On water quality, the company achieved 100% (100% in 2022/2023). This was done by ensuring that the turbidity levels in bulk water supply by the supplier met the required standards.

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

**Financial Overview**

During the year under review the company realized total revenue of Kshs1.151b (Kshs1.09b in 2022/2023). The revenue did not improve much as the company did produce much additional water compared to last financial year. The new 14No. of boreholes which had been drilled by the Ministry of Water, Sanitation and Irrigation were not put into operation due to lack of power supply. However, NRW improved from 29% to 26% during the year due to reduction measures which were put in place.

Staff costs went up by Kshs14.3m due to increase in staff salaries, implementation of affordable housing levy and new rates for NSSF employer contribution.

General and operating costs went up by Kshs111.3m due to increase in electricity cost by Kshs87m arising from change of power tariff, fuel cost went up by Ksh4m due to increase of VAT from 8% to 16%, bulk water cost increased by Kshs15m due to increase in bulk water tariff from Kshs 40 to Kshs 50 per M<sup>3</sup> from October 2023 as well as increase in volume by 124,700 M<sup>3</sup> and security cost increased by Kshs4m due to increased number of boreholes.

Cost of maintenance went up by Kshs11m due to the measures put in place to fight non-revenue water such as maintenance of networks. Maintenance was also done at the sewer networks and sewerage treatment plants and company facilities. In addition, major repairs were done at the boreholes.

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**Achievements**

During the year under review, the Company continued to maintain satisfactory levels in service delivery. In the 16<sup>th</sup> Impact Report, Water Services Regulatory Board (WASREB) awarded the Company number 1 Water Service Provider in Kenya

The water produced was distributed to customers equitably through a rationing programme making the company achieve an average water supply of 20 hours/day. The amount of water produced was an average of 33,190m<sup>3</sup> (32,785m<sup>3</sup> 2022/23) per day.

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

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

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

On the part of the community, the company continued to interact with its customers through social media such as WhatsApp, Twitter and Facebook on matters to do with water interruptions. The Company also on its part of Corporate social responsibility participated in the National tree planting campaigns by planting trees at Nakuru Prisons and Mau forest.

**Challenges**

The cost of electricity was high due to the fact that over 90% of the water that the company supplies is from boreholes and paid an average of Kshs30.8m (Kshs.23.6m 2021/2022) per month to Kenya Power. The boreholes are rather deep and thus expensive to run in terms of energy costs (electricity). In addition, the cost of electricity is unpredictable as it keeps on rising while our water tariff is fixed for a period of time. Further, there is no special tariff for the water sector that would make the services cheaper given that we offer a social good. The company together with other water companies and development partners is exploring on the alternative sources of power which will reduce the cost of electricity.

The Company loses a lot of water currently at 26% (2022/2023 29%) through technical means arising from old and dilapidated water infrastructure. Most of the current water networks were built many years ago and requires over Kshs1 billion to replace. The National/County Government through Central Rift Valley Water Works Development Agency (CRVWDA) and development partners are addressing this issue.

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

The Company is faced with the challenge of limited sources of water as the current water production is 40000M<sup>3</sup> of water per day against the demand of over 75000M<sup>3</sup> 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. However, the company received a conditional grant from Water Sector Trust Fund to drill 10 No. additional boreholes.

**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 continue being the leading water utility in the country.

**Appreciation**

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

Thank you and best wishes to you all.



**Eng. JAMES N. GACHATHI**  
**MANAGING DIRECTOR**

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**7.STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE YEAR 2023/2024**

The Company has in place a 5 year strategic plan 2024-2029 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 Indicator	Actual Performance	Deviation
<b>Water and sewerage infrastructure development</b>	To supply enough water	Increase water production from 40,000m <sup>3</sup> /day to 60,000m <sup>3</sup> /day	Ensure that all borehole pump-sets are operational and are at least 90% of their capacities at all times. Ensure the new 14No. Boreholes are operational.	A total of 33,190m <sup>3</sup> per/day was achieved. The shortfall was due to power failure, breakdown of pumps and reduction of bulk water supply by the supplier
<b>Operational efficiency and customer service</b>	Increase and maintain water supply hours from minimum 12 to at least 20 hours per day in all zones	Ensure water supply reliability does not fall below 18 hours per day at required pressures.	Maintain Service hours for distribution at 18 hours per day by producing enough water.	During the period the company achieved an average of 20hrs of supply per a day.

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Key Performance Indicators				
	Reduce Non-Revenue Water (NRW) to less than a sector benchmark of 25%	Install master, zonal and consumer meters to monitor and track water flow and losses	Carry out distribution line patrols to identify all illegal connections. Install smart customer meters which are more efficient. Carry out night flow water measurement at selected areas	The company achieved 26%. This was done through the various measures which were put in place
	To improve water quality to meet Kenya Bureau Standards	Enhance the water quality Compliance rate for Water from current 98% to 100%	Enhanced monitoring to ensure that the quality of water is within 90% of World Health Organization guidelines. Equip and maintain water laboratory to conduct daily tests.	The company achieved 100% water coverage by ensuring that the water from the bulk supplier which previously had high turbidity levels met the required standards.
<b>Financial Sustainability</b>	To enhance financial sustainability of the Company	Improve revenue collection from the current Kshs90M to Kshs115M 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 Kshs96m per month as the sources of water remained the same. The new 14 No. Boreholes were not put into operation due challenges of connecting to power.
		Maintain the collection efficiency at 100%	Enhance utilization of electronic payment system and open more pay points. Set targets for the debt collection unit and facilitate the team. Carry out customer sensitization and enforcement of disconnections.	The Company achieved a collection efficiency of 97% due to non-payment by some customer whose incomes were affected by inflation.
		Maintain the metering ratio at 100%	Identify and meter all the un-metered customers. Keep sufficient meters in the store.	The company achieved 100% metering ratio

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Outcomes
		Reduce Non-Revenue Water (NRW) to sector benchmark of 25%	Carry out distribution line patrols to identify all illegal connections. Install smart customer meters which more efficient. Carry out night flow water measurement at selected areas	The company undertook replacement of old meters and faulty meters with smart meters which have high accuracy levels. This reduced NRW from 29% to 26%.
<b>Institutional Capacity Strengthening</b>	Attract, develop, motivate and retain highly motivated and disciplined staff.	To improve staff productivity	Sign performance-based contracts with staff aimed at improving performance. Carry out a training need assessment and implement the same.	This was done through the signing of contracts between the Board and Corporate Management Team and the same cascaded to every level of employees in the Company.
	Embrace emerging technologies and innovations to improve efficiency and effectiveness.	Adopt integrated technological systems	Maximize the utilization of the Enterprise Resource Planning (ERP) system. Identify other areas which require new technology	The Company utilized the ERP system to improve efficiency on the service delivery and the provision of timely reports for prompt decision making. The company implemented a GIS system for the mapping its customers and water&sewer network.

## **8. CORPORATE GOVERNANCE STATEMENT**

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

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

The key instruments within the governance framework include: -

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

### **The Board of Directors**

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

### **Roles and Functions of the Board**

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

The Board of Directors are responsible for the following: -

- (i) Implementation of Memorandum and Articles of Association
- (ii) Provision of guidelines and control function of the Company

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- (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 nine (9) meetings.

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**Board Committees**

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

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

**The Board Charter**

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

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

**Appointment and Removal of the Board**

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

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

**Board Succession Plan**

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

**Induction and Training of the Board**

On appointment, Board members are taken through appropriate orientation program besides continuing capacity building on regulatory and market developments and periodic management briefs for effective discharge of their oversight duties. The induction programme provides the Board member with an orientation of the company, strategic plans, financial status and policies, risk management, compliance

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programmes and the Code of Conduct and Ethics. The directors are also provided with information relating to their legal and regulatory obligations.

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

**Board and Member Performance**

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

**Conflict of Interest**

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

**Board Remuneration**

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

**Board Ethics and Conduct**

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

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

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

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**Board Governance Audit**

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

The governance audit covers the following parameters among others:

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

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**9. MANAGEMENT DISCUSSION AND ANALYSIS**

**1. Operational and Financial Performance**

**Service Delivery**

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

Target Description	Target	Actual	Comments
Water Coverage (%)	95	95	The target was maintained as the company had not established new water sources due to financial constraints. However, 14 No. new boreholes will bring more water to increase the coverage.
Drinking Water Quality Standards (%)	100	100	The company the achieved water quality of 100% by ensuring that the water from the bulk supplier meets the standards by regular testing of the samples.
Non-Revenue Water (NRW)%	25	26	There was a great improvement in this by achieving 26% (2022/2023 29%) compared to the sector benchmark of 25%. The water losses occurred through technical and commercial ways. In the technical ways, water was lost through leaks and bursts while in the commercial ways water was lost through illegal connections and meter tampering which the Company is addressing.
Hours of Supply (Hrs)	20	20	This was achieved due to the rationing Programme during the period.
Metering Ratio (%)	100	100	This was achieved due to the efforts which the company put in place to achieve 100% metering ratio so as to stop billing on estimates.
Revenue Collection Efficiency (%)	96	97	This was achieved. However there was non-payment by the National Government and domestic consumers whose incomes were affected by inflation.

**Financial Performance**

During the year under review the company realized total revenue of Kshs1.151b (Kshs1.09b in 2022/2023). The revenue did not improve much as the company did produce much additional water compared to last financial year. The new 14No. of boreholes which had been drilled by the Ministry of Water, Sanitation and Irrigation were not put into operation due to lack of power supply. However, NRW improved from 29% to 26% during the year due to reduction measures which were put in place. Staff costs went up by Kshs14.3m due to increase in staff salaries, implementation of affordable housing levy and new rates for NSSF employer contribution.

General and operating costs went up by Kshs111.3m due to increase in electricity cost by Kshs87m arising from change of power tariff, fuel cost went up by Ksh4m due to increase of VAT from 8% to 16%, bulk water cost increased by Kshs15m to increase in bulk water tariff from Kshs 40 to kshs 50 as well as increase in volume by 124,700 M<sup>3</sup> and security cost increased by Kshs4m due to increased number of boreholes.

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Cost of maintenance went up by Kshs11m due to the measures put in place to fight non-revenue water such as maintenance of networks. Maintenance was also done at the sewer networks and sewerage treatment plants and company facilities. In addition major repairs were done at the boreholes.

**2. Key Projects / Investments Decisions Implemented or Ongoing.**

**i. Smart Water Enabled Meters**

The company continued with the installation of new customer smart ready meters which are more efficient with an aim of raising revenues and reduction of water losses. The company installed smart meters amounting to Kshs15.9 million.

**ii. New Computers and Accessories**

The Company procured new computers and other accessories at a cost of Kshs1M which were required for the replacement of the old ones.

**iii. Replacement of Pumps and Motors**

The Company replaced some of the old and inefficient pumps with the aim of increasing water production and reduction of maintenance costs. During the year the company replaced broken pumps and motors amounting to Kshs14.1 million

**iv. Re-location of Water and Sewerage Infrastructure**

Due to the upgrading of the Rironi- Mau Summit Highway to a dual carriage way, Kenya National Highways Authority financed the re-location of water and sewerage infrastructure along the highway under the jurisdiction of the company at a cost Kshs641.6m. This has improved the old dilapidated networks which is part of the contributors of NRW

**3. Compliance with Statutory Requirements**

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

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

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

**CORPORATION TAX** - The tax return was promptly filed with KRA

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

**WASREB** - Levies were remitted promptly.

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**WRA** - Water abstraction fee was paid promptly.

**NITA** - Industrial training levy was remitted on a monthly basis

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

#### **4. Major Risks Facing the Organization**

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

**i. Water Bills Amount Owed by the County Government of Nakuru- Kshs15.4M**

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

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

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

**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 Kshs30.8m per month**

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

**v. Scarce Sources of Water**

The Company is faced with the challenge of limited sources of water. The current water production capacity is 40,000m<sup>3</sup> of water per day against a demand of 75,000m<sup>3</sup> of water per day. This is being addressed through other mechanisms that include partnerships with National/County Government, Central Rift Valley Water Works Development Agency (CRVWDA) and National Government.

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

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**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 (CRVWWDA) and County Government is supposed to provide the water infrastructure. Most of the current water network was built many years ago and requires over Kshs1 billion to replace. This is the work of the National Government through Central Rift Valley Water Works Development Agency (CRVWWDA) who is the asset developer.

**vii. Non-Revenue Water (NRW)- 26%**

The water sector is faced with the challenge of water losses which is at 60% nationally and 29% at our company level with the acceptable level being at below 25%. This contributes to loss of revenues for water companies thus making water expensive. The water losses occur through technical and commercial ways. In the technical ways water is lost through leaks and bursts while in the commercial ways water is lost through illegal connections and meter tampering which the Company is addressing.

**viii. Low Sewerage Coverage - 31%**

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

**5. Material Arrears in Statutory and other Financial Obligations**

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

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

**ii. Central Rift Valley Water Works Development Agency (CRVWWDA) Lease fees – Kshs180.7M**

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

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Company's area of jurisdiction was shared proportionately according to the projects undertaken. The portion for NAWASSCO was Kshs.994, 706,658 (revised to Kshs991,267,572 in the year 2020) which the Company is paying through CRVWWDA at Kshs39, 468,544.80 p.a.

**iii. Former Ministry of Water & Natural Resources- Kshs168m**

In accordance with the provisions of the Water Act 2002, Nakuru Water and Sanitation Services Company Limited assumed responsibility of providing water and sanitation services in the jurisdiction of the defunct Nakuru Municipal Council with effect from 1<sup>st</sup> 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 and NSSF Kshs5, 562,345 were assigned to the company for the time being subject to resolution with the Treasury - Ministry of Finance. The amounts owing to KPLC Kshs 45, 108,015 and LAP Trust Kshs 6, 145,100 have since been paid.

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

**iv. Benisa Construction Ltd Kshs123M**

Kenya National Highway Authority (KeNHA) funded the relocation of water and sewer network along the road project section III: Barnabas-Njoro turn off at Kshs 642.5 million in January 2021. The company contracted for the works on behalf of KeNHA and the project was completed in December 2022.

The contractor was paid a total Kshs 518.2 million and the company is waiting for KeNHA to disburse the balance of Kshs 123,248,150 for the final certificate.

**v. National Social Security Fund- Kshs5.5m**

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

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

**a) Water Bills Amount Owed by the County Government of Nakuru- Kshs15.4M**

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

**Nakuru Water and Sanitation Services Company Ltd.**  
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**b) Water Bills Amount Owed by the Defunct Municipal Council of Nakuru (MCN)- Kshs215m**

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

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

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

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

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

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

**d) Project Amount owed by Kenya National Highway Authority Kshs123M**

Kenya National Highway Authority (KeNHA) funded the relocation of water and sewer network along the road project section III: Barnabas-Njoro turn off at Kshs 642.5 million in January 2021. The company contracted for the works on behalf of KeNHA and the project was completed in December 2022.

The contractor was paid a total Kshs 518.2 million and the company is waiting for KeNHA to disburse the remaining balance of Kshs 123,248,150 for the final certificate.

**6. Review of the Kenyan Economy**

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

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

**Nakuru Water and Sanitation Services Company Ltd.**  
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**7. Review of the Sector**

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

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

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

## **10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

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

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

### **1. Sustainability Strategy and Profile**

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

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

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

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

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

### **2. Environmental Performance**

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

The Company participated in the conservation of the environment by planting trees. During the year, the company participated in the National trees planting programmes that planted trees at Nakuru Prisons and Mau forest.

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

**Nakuru Water and Sanitation Services Company Ltd.**  
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(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).

During the year the company secured a grant from WWF Kenya towards supporting the gazettement of Kabatini aquifer and protection of 2No. springs at Njoro in Nakuru County. Kabatini aquifer is a very strategic aquifer that contributes 80% of Nakuru city water needs and Bahati sub county. The company engaged the community and other stakeholders in mapping the Kabatini area, identify recharge areas, and develop zoning plans for land use and protection measures. The project will set limits for groundwater use,

### **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 training, participation at the water companies' games and sports and bench marking sessions that develop the employees and ensure that the company's vision is achieved.

### **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.

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 under review, 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.

**Nakuru Water and Sanitation Services Company Ltd.**  
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**5. Corporate Social Responsibility /Community Engagement**

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

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.

During the year the company obtained a grant from WSTF towards improvement of sanitation at household level through renovation of old toilets to make them pour flush and construction of new toilets where old ones cannot be renovated. In this project the landlords get a refund of Kshs15,000 for renovation of old toilets and Kshs20,000 for construction of new toilets using the set standards.

**Nakuru Water and Sanitation Services Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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**11. REPORT OF THE DIRECTORS**

The Board of Directors submit Report together with the Financial Statements for the year ended 30<sup>th</sup> June, 2024 which shows the state of the Company's trading affairs and financial position.

**Principal Activities**

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

**Results**

The results of the Company for the Year ended 30<sup>th</sup> June, 2024 are set out on page 1 to 38. The net loss for the period of Kshs 54,382,923 which has been added to retained earnings.

**Dividend**

The Board of Directors did not declare any dividends for the year ended 30<sup>th</sup> June, 2024.

**Directors**

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

**Auditors**

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

By order of the Board



**Eng. JAMES N. GACHATHI**

**SECRETARY TO THE BOARD**

Dated 14-11-2024 2024

## **12. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

The Directors are responsible for the preparation and presentation of the Company's financial statements which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2024. This responsibilities includes; (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintain proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances

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

The Directors are of the opinion that the company's financial statements give a true and fair view of the state of the company's transactions during the financial year ended June 30, 2024, 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 25<sup>th</sup> September 2024 and signed on its behalf by:

  
**ERNEST K. MUIBU**  
**CHAIRMAN, BOARD OF DIRECTORS**

  
**JAMES N. GACHATHI**  
**MANAGING DIRECTOR**

# REPUBLIC OF KENYA

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## REPORT OF THE AUDITOR-GENERAL ON NAKURU WATER AND SANITATION SERVICES COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2024

### PREAMBLE

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 62, which comprise of the statement of financial position as at 30 June, 2024 and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Nakuru Water and Sanitation Services Company as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012

### **Basis for Qualified Opinion**

#### **1. Failure to Disclose Material Uncertainty Related to Going Concern**

The statement of financial position reflects current liabilities balance of Kshs.1,573,174,597 which exceeds the current assets balance of Kshs.1,348,204,398 resulting to a negative working capital of Kshs.224,970,199. The statement of profit or loss and other comprehensive income reflects a loss of Kshs.54,382,923 for the year under review while in the previous year the Company made a profit of Kshs.3,127,331. The Company is, therefore, technically insolvent and its ability to continue as a going concern is dependent upon support from the County Government and its creditors. However, this material uncertainty has not been disclosed in the financial statements. The statement of Director's responsibility in the financial statements states that 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 (12) months from the date of the statement.

In the circumstances, the Company's ability to meet its short-term obligations could not be confirmed.

#### **2. Unsupported Central Rift Valley Water Works Development Agency (CRVWDA) Lease Fees**

The statement of profit or loss and other comprehensive income reflects general and operations expenses of Kshs.696,597,144 which as disclosed in Note 11 to the financial statements includes an amount of Kshs.39,468,545 in respect of lease fees paid to Central Rift Valley Water Works Development Agency (CRVWDA). As previously reported, the lease fees relate to repayment of loan of Kshs.994,706,658 procured from the African Development Bank (AfDB) through the defunct Rift Valley Water Works Development Agency (RWWDA) in the year 2014. Management has not provided evidence to indicate that the Company has taken possession and ownership of the assets financed by the loan. Although the Company continues to service the loan, the outstanding loan balance is not reported in the financial statements as required by the standards.

In the circumstances, the accuracy, completeness and validity of lease fees paid to Central Rift Valley Water Works Development Agency (CRVWDA) amount of Kshs.39,468,545 could not be confirmed.

### **3. Unsupported Inventory Balance**

The statement of financial position reflects inventories balance of Kshs.38,145,260. However, the inventories balance has not been supported by a detailed schedule showing opening balances, purchases, and the valuation report to show how the closing balance was arrived at. In addition, no record was provided for audit to show if the physical stock counts were undertaken at least once every quarter and the exercise was carried out by at least two officers, who are not from the storekeeping staff.

In the circumstances, the accuracy and completeness of the inventories balance of Kshs.38,145,260 could not be confirmed.

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

#### **Emphasis of Matter**

##### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects budgeted revenue and actual on comparable amounts of Kshs.1,237,291,804 and Kshs.1,151,825,231 respectively, resulting in an underfunding of Kshs.85,466,573 or 7% of the budget. Similarly, the Company spent Kshs.1,239,825,412 against actual revenue of Kshs.1,151,825,231 resulting in an over-utilization of Kshs.55,354,118 or 5% of the actual without the necessary approvals.

The underfunding and over-utilization may have negatively impacted on the planned activities of the Company and service delivery to the Public.  
My opinion is not modified in respect of this matter.

#### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section of my report, I have determined that there are no other key audit matters to report in the year under review.

#### **Other Matter**

##### **Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Internal Controls, Risk Management and Governance which have remained unresolved.

## **Other Information**

The Directors are responsible for the other information set out on page iv to xxxix which comprise of Key Company Information, the Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and the Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Company's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. High Non-Revenue Water (NRW)**

The statement of profit or loss and other comprehensive income reflects operating revenue amounting to Kshs.1,127,537,889 which as disclosed in Note 6 to the financial statements includes water sales amounting to Kshs.745,958,776. Review of records revealed that the Company produced a total of 12,114,346 cubic meters (M3) of water out of which 8,955,741 Cubic Meters (M3) of water was billed to customers for Kshs.745,958,776 while the balance of 3,158,605 cubic meters (M3) or approximately 26% of the total volume of water produced represents Non-Revenue Water. The Non-Revenue Water of 26% was over and above the allowable loss of 25% set by the Water Services Regulatory Board (WASREB) Guidelines by 1%.

Further, the Non-Revenue Water amounting to 3,158,605 cubic meters (M3) resulted in loss of sales amounting to Kshs.186,357,695 at the rate of Kshs.59 per M3 minimum water sale tariff. In addition, the Company has not established a Non-Revenue Water function contrary to Paragraph 1.6.2 of Non-Revenue Water Management Standards in Kenya Guidelines of June, 2022:

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

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

## **2. Inefficient Use of Electricity**

The statement of profit and loss and other comprehensive income for the year reflects general and operating expenses of Kshs.696,597,144 which as disclosed in Note 11 to the financial statements includes an amount of Kshs.369,931,549 in respect to payment of electricity. Analysis of the supporting ledger revealed that the electricity bills relate to pumping costs from the boreholes which may not be the most efficient method, as this translates to (53%) percent of the total expenditure amount of Kshs.696,656,744. The high electricity costs are as a result of failing to adopt more efficient models that cost less such as installation of solar panels.

In the circumstances, the Company may be incurring significant expenditure on electricity which affects service delivery to the public due to reduced spending on capital projects.

## **3. Irregular Board Composition**

The statement of profit or loss and other comprehensive income reflects Board expenses totalling Kshs.11,469,243 as disclosed in Note 12 to the financial statements. Review of records revealed that the Company operated with eight (8) Non-Executive Board Members and one (1) Executive Board Member during the year under review. Further, the nine (9) Board Members include two (2) women. This is contrary to clause 4.2.2 (6) of the Corporate Governance Guideline for the Water Services Sector, 2018 which provides that where possible at least three (3) of these Members shall be women, provided that the eligibility criteria are not compromised.

In the circumstances, Management was in breach of Guidelines.

In the circumstances, the effectiveness of internal controls related to debt management could not be confirmed.

## **4. Trade and Other Payables**

### **4.1 Long Outstanding Trade and Other Payables**

The statement of financial position and Note 29 to the financial statements reflect trade and other payables balance of Kshs.683,609,870 which comprises of trade payables amount of Kshs.664,058,681 and other payables totaling Kshs.19,551,189. The ageing analysis provided for the trade payables indicates that an amount of Kshs.399,331,524 or 60% of the trade payables were outstanding for more than one (1) year with an amount of Kshs.275,796,820 outstanding for more than three (3) years.

### **4.2 Long Outstanding Debt to Central Rift Valley Water Works Development Agency**

Included in the payables balance of Kshs.683,609.870 is an amount of Kshs.275,796,820 due to Central Rift Water Works Development Agency (CRWWDA) which has accrued since the year, 2013.

#### **4.3 Long Outstanding Debt to African Development Bank (AFDB)**

The statement of financial position reflects trade and other payables totalling to Kshs.683,609,870. The amount includes a balance of Kshs.1,103,301,036 due to African Development Bank (AfDB) which has accrued since the year 2005.

Failure to pay the long outstanding payable is contrary to Section 94(1) of the Public Finance Management Act, 2012 which states that a public entity is in serious material breach or persistent material breach of the measures established under Public Finance Management Act, 2012 if it fails to make any payments as and when due or default on financial obligations for financial reasons.

In the circumstances, the Company Management was in breach of the law and there is risk loss of public funds through litigations, interests and penalties.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

#### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

##### **Conclusion**

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

##### **Basis for Conclusion**

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

The statement of financial position reflects trade and other receivables balance of Kshs.914,790,606. Review of records revealed the following anomalies: -

- i. Included in the balance is an amount of Kshs.461,902,091.97 owed by fourteen thousand seven hundred and fifty (14,750) customers whose water accounts have been terminated or remained dormant for a period exceeding one year. The Management has not demonstrated the measures taken including legal action to enforce collection of the debts.
- ii. The balance also includes an expenditure of Kshs.241,883,014 owed by County Government of Nakuru on account of sale of water and sewerage services. Out of this balance, an amount of Kshs.215,703,436 was accrued by the defunct Municipal Council of Nakuru which was transferred to County Government of Nakuru and

remained outstanding since its takeover in the year, 2013. There was no evidence of any steps being taken by the Company to recover the long overdue balances. Further, records maintained by the County Government did not reflect any accounts payable to the Company.

- iii. The balance includes an amount of Kshs.17,477,375 loaned to NAWASSCOAL Company Limited, a wholly owned subsidiary of the Company, which was unsupported by way of loan agreement or repayment plan. The amount remained the same from the previous year, which is an indication that the subsidiary Company is not repaying the loan as expected. Note 20 to the financial statements further disclosed that the loan had an accrued interest amount of Kshs.3,767,355 as at 30 June, 2024.
- iv. The balance also included Value Added Tax (VAT) recoverable from Kenya Revenue Authority of Kshs.15,093,230 which has been outstanding for more than a year and was unsupported by repayment plan. In addition, Note 20 to the financial statements disclosed that an amount of Kshs.3,219,256 in respect of four (4) staff debtors remained outstanding from the financial year 2022/2023 and had not been repaid.
- v. Note 20 (a) to the financial statements indicates that included in the balance of Kshs.914,790,606 is an amount of Kshs.714,496,266 in respect of trade receivables. Further, the ageing analysis provided reflects that included in the latter balance is an amount of Kshs.692,397,646, or 97% of the trade receivables, which was due for more than sixty (60) days.

Although Management has explained that a legal unit has been established in the Company, no explanation has been provided on the steps the Company intends to take to recover these long outstanding debts.

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 controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Conclusion

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

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

## **Responsibilities of the Management and those Charged with Governance**

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

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

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

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

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

## **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I

consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gatirunga, CBS  
AUDITOR-GENERAL

Nairobi

30 December, 2024

## 14. STATEMENT OF PROFIT OR LOSS &amp; OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2024

	Note	2023-24	2022-23
		Kshs	Kshs
<b>Revenue</b>			
Operating Revenue	6	1,127,537,889	1,067,955,215
Grants Income	7	-	-
Other Income	8	1,819,950	1,162,510
Finance Income	9	22,467,392	21,013,893
<b>Total Revenue</b>		<b>1,151,825,231</b>	<b>1,090,131,618</b>
<b>Expenses</b>			
Staff Costs	10	305,122,877	290,768,518
General and Operations Expenses	11	696,597,144	585,259,214
Board Expenses	12	11,469,243	6,164,792
Maintenance Expenses	13	111,128,718	104,858,148
Depreciation and Amortization Expenses	14	84,454,596	86,938,092
<b>Total Expenses</b>		<b>1,208,772,578</b>	<b>1,073,988,764</b>
<b>Profit/(Loss) Before Taxation</b>		<b>(56,947,347)</b>	<b>16,142,854</b>
Income Tax Expense/(Credit)	15	(2,564,424)	13,015,523
<b>Profit/(Loss) After Taxation</b>		<b>(54,382,923)</b>	<b>3,127,331</b>
Luggage			
<b>Other Comprehensive Income</b>			
<b>Profit/ (Loss) After Taxation</b>		<b>(54,382,923)</b>	<b>3,127,331</b>
Surplus or Deficit on Revaluation Of PPE		-	-
Re-measurement Of Net Defined Benefit Liability		-	-
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI (Fair Value Through Other Comprehensive Income)		-	-
<b>Total Comprehensive Income for The Year</b>		<b>(54,382,923)</b>	<b>3,127,331</b>

**Nakuru Water and Sanitation Services Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024**


		2023-2024	2022-2023
		Kshs.	Kshs.
<b>Assets</b>			
<b>Non-current Assets</b>			
Property, Plant and Equipment	16	781,969,951	780,733,160
Intangible Assets	17	12,318,107	18,192,264
Investment in NAWASCOAL	18	100,000	100,000
Deferred tax Asset	27	49,948,024	40,643,381
<b>Total Non-current Assets</b>		<b>844,336,082</b>	<b>839,668,805</b>
<b>Current Assets</b>			
Inventories	19	38,145,260	41,765,724
Trade and Other Receivables	20	914,790,607	703,163,439
Short Term Deposits	21	160,000,000	50,000,000
Bank and Cash Balances	22	235,268,531	235,208,597
<b>Total Non-Current Assets</b>		<b>1,348,204,398</b>	<b>1,030,137,760</b>
<b>Total Assets</b>		<b>2,192,540,480</b>	<b>1,869,806,565</b>
<b>Equity and Liabilities</b>			
<b>Capital and Reserves</b>			
Ordinary Share Capital	23	100,000	100,000
General Reserve	24(a)	262,893,992	262,893,992
Revaluation Reserve	25	30,366,570	31,720,163
Retained Earnings	26	151,852,606	206,235,529
<b>Total Share Capital and Reserves</b>		<b>445,213,168</b>	<b>500,949,684</b>
<b>Non-current Liabilities</b>			
Non-Current Accounts Payable	24(b)	174,152,715	174,152,715
<b>Total Non-current Liabilities</b>		<b>174,152,715</b>	<b>174,152,715</b>
<b>Current liabilities</b>			
Provisions	28	10,144,643	10,803,246
Trade and Other Payables	29	683,609,870	508,869,225
Income Tax Payable	15	6,740,218	5,292,469
Refundable Deposits and Prepayments	30	169,652,668	172,871,366


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		KSh	KSh
Deferred Income	31	703,027,198	496,867,860
<b>Total Current Liabilities</b>		<b>1,573,174,597</b>	<b>1,194,704,166</b>
<b>Total Equity and Liabilities</b>		<b>2,192,540,480</b>	<b>1,869,806,565</b>

The financial statements were approved by the Board on 25<sup>th</sup> September, 2024 and signed on its behalf by:

  
 .....  
**James N Gachathi**  
**Managing Director**

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

  
 .....  
**Ernest K. Muibu**  
**Chairman of the Board**

Nakuru Water and Sanitation Services Company Ltd.  
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16. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2024

	Share Capital	Reserves	Retained Earnings	Capital Reserve	Deferred Income Tax	Provision for Contingent Liabilities	Provision for Doubtful Debts	Provision for Depreciation	Total
<b>As at July 1, 2023</b>	100,000	31,720,163	262,893,992	206,235,529	-	-	-	-	500,949,68
New Capital Issued	-	-	-	-	-	-	-	-	-
Revaluation Amortisation	-	(1,353,593)	-	-	-	-	-	-	(1,353,593)
Profit for the Year	-	-	-	(54,382,923)	-	-	-	-	(54,382,923)
Capital/Development Grants Received During the Year	-	-	-	-	-	-	-	-	-
Dividends Paid – Prior Year	-	-	-	-	-	-	-	-	-
Interim dividends paid – current year	-	-	-	-	-	-	-	-	-
Proposed Final Dividends	-	-	-	-	-	-	-	-	-
<b>As at June 30, 2024</b>	100,000	30,366,570	262,893,992	151,852,606	-	-	-	-	445,213,16
<b>As at July 1, 2022</b>	100,000	32,980,405	262,893,992	203,108,200	-	-	-	-	499,082,59
Issue of New Share Capital	-	-	-	-	-	-	-	-	-
Revaluation Amortisation	-	(1,260,242)	-	-	-	-	-	-	(1,260,242)
Profit for the Year	-	-	-	3,127,329	-	-	-	-	3,127,329
Dividends Paid – Prior Year	-	-	-	-	-	-	-	-	-
Interim Dividends Paid – Current Year	-	-	-	-	-	-	-	-	-
Proposed Final Dividends	-	-	-	-	-	-	-	-	-
<b>At June 30, 2023</b>	100,000	31,720,163	262,893,992	206,235,529	-	-	-	-	500,949,68

Nakuru Water and Sanitation Services Company Ltd.  
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17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

		2024	2023
Profit or loss before tax		(54,382,922)	3,127,331
Depreciation	16	70,441,810	70,120,561
Amortization of land and buildings		-	-
Amortization	17	14,012,786	16,817,531
Working capital changes:			
(Increase)/decrease in inventories	19	3,620,465	5,411,893
(Increase)/decrease in trade and other receivables	20	(211,627,167)	(53,126,666)
Increase/(decrease) in trade and other payables	29	174,740,646	(31,455,976)
Increase/(decrease) in provision for staff leave and gratuity pay	28	(658,603)	3,327,100
Increase in Customer Deposit and Prepayments	30	(3,218,698)	10,747,548
Income Tax payable	15	6,740,218	(2,494,847)
Deferred tax asset	15	(9,304,642)	(7,105,751)
<b>Net Cash From/ (Used In) Operating Activities</b>		<b>(9,636,109)</b>	<b>15,368,816</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Property, Plant and Equipment (PPE)	16	(31,052,835)	(81,869,458)
Proceeds from Maturity of Fixed Bank Deposit	21	-	160,000,000
Purchase of Intangible Assets	17	(8,138,629)	(5,808,000)
Purchase Grant Property, Plant and Equipment	16	(192,707,487)	(5,426,800)
Investments in Fixed Bank Deposit	21	(160,000,000)	(50,000,000)
Proceed from Maturity in call deposit	21	50,000,000	50,000,000
<b>Net Cash From/ (Used In) Investing Activities</b>		<b>(341,898,951)</b>	<b>66,895,742</b>
<b>Cash Flows from Financing Activities</b>			
Grants From WSTF	31	158,887,506	3,967,500
Grants From KEHNA	31	192,707,487	-
<b>Net Cash From/(Used In) Financing Activities</b>		<b>351,594,993</b>	<b>3,967,500</b>
<b>Increase/(Decrease) In Cash and Cash Equivalents</b>		<b>59,933</b>	<b>86,232,059</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	22	<b>235,208,597</b>	<b>148,976,538</b>
<b>Cash and Cash Equivalents at End of The Year</b>		<b>235,268,531</b>	<b>235,208,597</b>

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18. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2024

	Budget	Variance	Actual	Variance	Actual	Variance	Actual	Variance	Actual	Variance
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	%	
<b>Revenue</b>										
Operating Revenue	1,365,993,884	(152,702,080)	1,213,291,804	1,127,537,889	85,753,915	92.93	The variance was			
Non-Operating Revenue	2,000,000	-	2,000,000	1,819,950	180,050	91.00	power under supply			
Finance Income	21,005,000	-	21,005,000	22,467,392	(467,392)	102.12	water due power failure			
<b>Total Revenue</b>	<b>1,389,993,884</b>	<b>(152,702,080)</b>	<b>1,237,291,804</b>	<b>1,151,825,231</b>	<b>85,466,573</b>	<b>93.09</b>	& pumps breakdown			
Expenses										
Staff Costs	337,249,933	(25,269,652)	311,980,281	305,122,877	6,857,404	97.80				
Board Expenses	12,000,000	-	12,000,000	11,469,243	530,757	95.58				
General and operations Expenses	810,698,438	(109,011,895)	701,686,543	696,597,144	5,089,399	99.27				
Maintenance	110,597,832	-	110,597,832	111,128,718	(530,886)	100.48				
Depreciation and amortization	-	-	-	84,454,596	(84,454,596)	(100)				
<b>Total Recurrent Expenditure</b>	<b>1,270,546,203</b>	<b>(134,281,547)</b>	<b>1,136,264,656</b>	<b>1,208,772,577</b>	<b>(72,507,921)</b>	<b>106.38</b>				
Profit or Loss	119,447,681	18,420,533	101,027,148	(56,947,347)	157,974,495	(156.37)				
Capital Expenditure	108,791,450	(60,584,812)	48,206,638	31,052,835	17,153,803	64.42				
<b>Total Expenditure</b>	<b>1,379,337,653</b>	<b>194,866,359</b>	<b>1,184,471,294</b>	<b>1,239,825,412</b>	<b>(55,354,118)</b>	<b>104.67</b>	The underutilisation due financial constraints			

## **19. NOTES TO THE FINANCIAL STATEMENTS**

### **1. General Information**

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

### **2. Statement of Compliance and Basis of Preparation**

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016 and the Company's Act 2015, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented .

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016 and the Company's Act (*include any other applicable legislation*), and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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**Notes to the financial statements (continued)**

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

**i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2024.**

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

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

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.**

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	DESCRIPTION	FINANCIAL IMPACT
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

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

**iii. Early adoption of standards**

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

**4. Summary of Accounting Policies**

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

**a) Revenue recognition**

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

- i) **Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) **Grants from Government Entities** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.

**Nakuru Water and Sanitation Services Company Ltd.**  
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vi) **Other income** is recognized as it accrues.

**b) In-kind contributions**

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

**c) Property, plant and equipment**

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

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

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

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

Assets	Years	Rates
Leasehold Land	Remaining period of lease	-
Buildings and civil works	50	
Infrastructure works	5	20%
Plant and machinery	5	20%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3	33.33%
Office equipment, furniture and fittings	8	12.5%
Software	3 years	33.33
Electric fence	8 years	12.5
Prepaid Water Meter	5 years	20
Water Meters	7 years	14.28

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

**e) Intangible assets**

**Nakuru Water and Sanitation Services Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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

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

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

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

**g) Investment property**

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

**h) Right of Use Asset**

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

**i) Fixed interest investments (bonds)**

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

**j) Quoted investments**

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

**k) Unquoted investments**

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

**l) Inventories**

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

**m) Trade and other receivables**

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted. A report on losses and write offs is disclosed on page xxx of this report.

**n) Taxation**

**i) Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the profit or loss statement. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in the tax returns with respect

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to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**o) Deferred tax**

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**p) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other

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comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**q) Cash and cash equivalents**

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

**r) Borrowings**

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

**s) Trade and other payables**

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

**t) Retirement benefit obligations**

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

**u) Provision for staff leave pay**

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

**v) Exchange rate differences**

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

**w) Budget information**

The original budget for FY 2023-2024 was approved by the Board of Directors on 3rd May, 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The reduced appropriations are deducted to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded reduced appropriations of Kshs 194,866,359 on the 2023-2024 budget following the governing body's approval. The Company's budget is prepared on the basis of actual income and expenditure and is disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section xxx of these financial statements.

**x) Service concession arrangements**

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

**y) Comparative figures**

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

**z) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2024

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

**a) Estimates and assumptions**

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

**b) Useful lives and residual values**

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

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

**c) Provisions**

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

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**6. Operating Revenue**

	2023-24	2022-23
	Kshs	Kshs
Water sales	745,958,776	697,320,479
Sewerage Services	381,579,113	370,721,136
<b>Total</b>	<b>1,127,537,889</b>	<b>1,067,955,215</b>

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 27.36% (29 % 2022/23)

of the water produced. The 27.36% loss is due to technical and commercial losses.

**7. Grants Income**

	2023-24	2022-23
	Kshs	Kshs
Operational grants from Government entities	-	-
Recurrent/operational grants from other agencies	-	-
Capital grants amortised	-	-
Donations from County Governments	-	-
In Kind contribution/donations from other agencies	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**8. Other Income**

	2023-24	2022-23
	Kshs	Kshs
House rent	239,800	257,850
Laboratory services	1,472,150	754,660
Education visits, Bill board	100,000	142,000
Empty chemical container sale	-	7,000
Sale of Tender	8,000	-
<b>Total</b>	<b>1,819,950</b>	<b>1,162,510</b>

**9. Finance Income**

	2023-24	2022-23
	Kshs	Kshs
Interest on NAWASSCOAL Loan	873,869	1,023,869
Interest on fixed deposit	21,593,523	19,990,024
<b>Total</b>	<b>22,467,392</b>	<b>21,013,893</b>

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The interest on NAWASCOAL Loan related to interest earned at interest rate of 5% pa on loans advanced to the Company subsidiary NAWASCOAL while interest of fixed deposit relates to interest earned on fixed deposit of Kshs 160 million and Kshs 50million at an interest rate of 12.72% p.a and 10.25% p.a respectively.

**10. Staff Costs**

Description	2023-24	2022-23
	Kshs	Kshs
Gross Salary and Allowances	252,801,039	248,311,818
Casual workers' Wages	3,510,931	4,073,188
Employer's contributions to social security schemes	3,000,240	1,143,640
Employer's contributions to pension scheme	24,823,030	23,890,735
Gratuity paid	12,794,623	9,907,142
Increase in provisions for Leave pay	3,671,285	2,250,173
Increase in Gratuity provision	1,154,872	1,077,021
Housing Levy Employer Contribution	3,223,508	-
Employer's contributions to NHIF	143,350	114,800
<b>Total</b>	<b>305,122,877</b>	<b>290,768,518</b>
<b>The average number of employees during the year</b>	<b>160</b>	<b>170</b>

**11. General and Operations Expenses**

Description	2023-24	2022-23
	Kshs	Kshs
Chemicals	10,243,869	8,084,947
Electricity	369,931,549	282,710,684
Transport, Fuel, Oil, Lubricants	14,759,237	11,853,187
Bulk water Costs	65,561,000	50,568,412
Office supplies	4,728,866	5,673,097
Uniform and protective clothing	1,127,810	3,192,362
Telecommunication	3,891,592	4,070,465
Bulk SMS, postage and courier service	2,611,468	3,249,844
CRVWWDA lease fees	39,468,545	39,468,545
Insurance	4,010,722	4,364,583
Rent and Rates	655,450	600,000
Onsite sanitation	8,705,550	9,241,050
Domestic Traveling and subsistence	30,488,271	28,567,491
Staff training and development and subscriptions	2,955,866	4,770,179

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Bank Charges	3,516,189	3,603,595
Security services	26,455,963	22,513,978
Medical Cover and Occupational Health	15,103,986	16,062,503
Publicity and advertising	3,885,104	6,148,155
Audit fees	602,501	412,000
Legal fees	5,587,121	2,379,200
Consultancy fees	5,552,314	11,496,080
Licensing and levies	52,607,407	49,710,478
Sports and recreation	7,949,400	1,582,500
Conference expenses	5,634,212	3,850,925
Donations/CSR	122,800	559,430
Hospitality expenses	3,177,450	2,127,810
Printing and Stationery	5,758,203	8,113,672
Literature & periodicals	109,200	284,040
Environmental conservation	585,500	-
Sewerage disposal fees	810,000	=
<b>Total</b>	<b>696,597,144</b>	<b>585,259,214</b>

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

**ADB Loan Movement**

	2023-24	2022-23
Principal Loan Amount, Interest Accrued and Amount Expended	KShs	KShs
Principal Loan Amount	991,267,572	991,267,572
Interest Accrued as at 30th June	431,070,873	431,070,873
<b>Total</b>	<b>1,422,338,445</b>	<b>1,422,338,445</b>
Amount paid as at 30th June, 2023	(319,037,409)	(315,748,361)
<b>Outstanding amount</b>	<b>1,103,301,036</b>	<b>1,106,590,084</b>

	2023-24	2022-23
Principal Loan Amount, Interest Accrued and Amount Expended	KShs	KShs
Principal Loan Amount	991,267,572	991,267,572
Interest Accrued as at 30th June	431,070,873	431,070,873
<b>Total</b>	<b>1,422,338,445</b>	<b>1,422,338,445</b>
Amount Expended as at 30th June, 2023	(499,750,863)	(460,282,316)

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<b>Outstanding amount</b>	<b>922,587,582</b>	<b>962,056,129</b>
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<b>Description</b>	<b>2023-24</b>	<b>2022-23</b>
<b>Amount Expensed and amount paid</b>	<b>KShs</b>	<b>KShs</b>
Amount Expensed as at 30th June	499,750,863	460,282,316
Amount paid as at 30th June	(319,037,409)	(315,748,361)
<b>Outstanding amount</b>	<b>180,713,454</b>	<b>144,533,955</b>

**12. Board Expenses**

<b>Description</b>	<b>2023-24</b>	<b>2022-23</b>
	<b>KShs</b>	<b>KShs</b>
Chairman Honoraria	942,864	864,292
Sitting allowances	8,320,921	3,535,000
Travel and accommodation	1,605,458	214,120
B.O.D Hospitality	600,000	1,551,380
<b>Total Board Expenses</b>	<b>11,469,243</b>	<b>6,164,792</b>

**13. Maintenance Expenses**

<b>Description</b>	<b>2023-24</b>	<b>2022-23</b>
	<b>KShs</b>	<b>KShs</b>
Plant and Equipment	19,643,209	15,987,251
Buildings	13,824,046	19,102,877
Infrastructural networks	64,299,131	52,246,801
Motor vehicles	3,941,778	5,029,041
Software	7,102,516	10,576,998
ICT	759,467	695,980
Furniture	1,498,970	1,219,200
<b>Total Maintenance Expenses</b>	<b>111,128,718</b>	<b>104,858,148</b>

**14. Depreciation and Amortization Expenses**

<b>Description</b>	<b>2023-24</b>	<b>2022-23</b>
	<b>KShs</b>	<b>KShs</b>
Property, plant, and equipment	70,441,810	70,120,561
Intangible assets	14,012,786	16,817,531
<b>Total Depreciation and Amortization</b>	<b>84,454,596</b>	<b>86,938,092</b>

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**15. Income Tax Expense/(Credit)**

**Current taxation**

	2023-24	2022-23
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	-	12,889,345
Current year tax assessments	6,740,218	7,231,929
Current year deferred tax charge	(9,304,642)	(7,105,751)
Prior year under-provision for deferred tax	=	=
<b>Total</b>	<b>(2,564,425)</b>	<b>13,015,523</b>

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

	2023-24	2022-23
	Kshs	Kshs
Profit before taxation	(56,947,346)	16,142,854
Add: Expense not deductible for tax purposes	85,609,468	90,265,286
Less: Expenses deductible for tax purposes	(83,395,319)	(63,443,657)
<b>Adjusted profit for tax purposes</b>	<b>-</b>	<b>42,964,483</b>
Tax loses B/F	-	-
<b>Total profit/ loss C/F</b>	<b>(54,733,198)</b>	<b>42,964,483</b>



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At June 30, 2024	46,448,567	114,300,309	294,436,677	132,552,238	78,932,476	34,321,316	19,835,112	-	720,824
Net Book Value At June 30, 2024	98,442,953	52,245,448	551,524,013	52,447,472	20,355,195	2,083,093	4,871,777	-	781,966
<b>Cost Or Valuation</b>									
At July 1, 2022	144,891,520	125,528,261	184,725,972	157,261,873	87,455,671	31,605,131	21,177,197	444,521,342	1,197,166
Additions	-	25,087,918	19,617,089	13,618,280	11,832,000	3,795,578	3,529,792	4,388,800	81,866
Additions grants	-	-	-	-	-	-	-	5,426,800	5,426
Disposals	-	-	-	-	-	-	-	-	-
At June 30, 2023	144,891,520	150,616,179	204,343,061	170,880,153	99,287,671	35,400,709	24,706,989	454,336,942	1,284,466
<b>Depreciation</b>									
At July 1, 2022	36,067,312	86,315,434	117,774,216	90,693,436	41,564,126	27,426,336	15,531,101	-	415,375
Charge For the Year	3,606,731	13,148,512	7,811,075	20,308,114	18,684,200	4,837,692	1,576,307	-	70,122
Charge for the year Revaluation	1,260,424	-	-	-	-	-	-	-	1,200
Charge For the Year Grants	-	-	16,358,433	-	-	-	618,869	-	16,977
At June 30, 2023	41,082,214	99,463,946	141,943,724	111,001,550	60,248,326	32,264,028	17,726,777	-	503,733
Net Book Value At June 30, 2023	103,809,306	51,152,233	62,399,338	59,876,603	39,039,345	3,136,681	6,980,712	454,336,942	780,733

**Property, Plant and Equipment**

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

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**Valuation**

	Leasehold land (Kshs)	Buildings (Kshs)	Furniture (Kshs)
<b>COST</b>			
At July 1 <sup>st</sup> 2023	50,000,000	94,891,520	144,891,520
Additions	-	-	-
Disposals	-	-	-
At June 30 <sup>th</sup> 2024	50,000,000	94,891,520	144,891,520
<b>AMORTISATION</b>			
At July 1 <sup>st</sup> 2023	16,956,352	24,125,862	41,082,214
Charge for the year	498,258	3,514,501	4,012,759
Charge on revaluation	<u>1,353,593</u>	=	<u>1,353,593</u>
At June 30 <sup>th</sup> 2022	<u>18,808,203</u>	<u>27,640,363</u>	<u>46,448,566</u>
<b>NET BOOK VALUE</b>			
At June 30 2022	<u>31,191,797</u>	<u>67,251,157</u>	<u>98,442,954</u>

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

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

**17. Intangible Assets**

	2023-24	2022-23
<b>Cost</b>		
At July 1 <sup>st</sup>	70,047,195	64,239,195
Additions	8,138,629	5,808,000
Disposals	=	=
At June 30 <sup>th</sup>	<b>78,185,824</b>	<b>70,047,195</b>
<b>AMORTISATION</b>		
At July	51,854,931	35,037,400
Charge for the year	14,012,786	16,817,531
Disposals	-	-

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Impairment loss	-	-
At June 30 <sup>th</sup>	65,867,717	51,854,931
Net book value		
At June 30 <sup>th</sup>	12,318,107	18,192,264
Cost		

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

**18. Unquoted Investments**

	2023-24	2022-2023
	KShs	KShs
Cost		
At July 1 <sup>st</sup>	100,000	100,000
Additions	-	-
Disposals	-	-
At June 30 <sup>th</sup>	100,000	100,000
<b>IMPAIRMENT</b>		
At July 1 <sup>st</sup>	-	-
Disposals	-	-
At June 30 <sup>th</sup>	-	-
<b>NET BOOK VALUE</b>	<b>100,000</b>	<b>100,000</b>

The company owns 100% shares in NAWASSCOAL which produces briquettes

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

**19. Inventories**

	2023-24	2022-2023
	Kshs	Kshs
Inventory- Chemicals	3,087,138	4,425,819
Water For Life Project (WFL)	-	225,014
Stationary & Accessories	2,797,699	3,194,727
Revolving Funds Project	755,555	758,285
Water Meters	7,680,992	7,570,250
Water Networks Extensions	454,814	1,544,084

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Sewer Maintenance Fittings	38,130	38,130
Other Stocks	8,090,255	4,163,160
Electromechanical	3,593,696	6,396,140
Pumps & Motors	3,316,029	4,375,414
Tools	23,764	125,864
Water Pipeline Maintenance Fittings	8,219,608	8,742,168
Motor Vehicle Spare Parts	87,580	206,668
Less: Impairment of stocks	=	-
<b>Total</b>	<b>38,145,260</b>	<b>41,765,724</b>

The inventories relate to consumable materials for operations and maintenance.

**20. Trade and Other Receivables**

<b>Net trade receivables (Note 20 a)</b>	714,496,266	649,346,561
<b>Other Receivables</b>		
Deposits and prepayments	11,313,327	11,313,327
VAT recoverable	15,093,230	15,093,230
Staff receivables (Note 20 b)	22,532	36,619
Staff Debtor-A Turgut, M Muchai, G. Nyaata & B. Muibu	3,219,256	3,219,256
NAWASSCOAL Loan	17,477,375	17,477,375
Cash collection by Posta	192,176	201,686
Accrued Interest on NAWASSCOAL Loan	3,767,355	2,893,486
Accrued interest on fixed Deposit	20,050,422	3,581,899
G.Ogola, Kipkoech & Co. & Arwa & Change Adv LLP	6,127,999	-
KeNHA pipeline re-location outstanding balance	122,707,487	-
Customers uncredited Receipts	323,181	-
<b>Total trade and other receivables</b>	<b>914,790,606</b>	<b>703,163,439</b>

**20. (a) Trade Receivables**

	2024	2023
	Ken	Ken
Trade receivables	714,496,266	649,346,561
Bad debts written off	-	-
<b>Net trade receivables</b>	<b>714,496,266</b>	<b>649,346,561</b>
<b>As at June 30, the ageing analysis of the gross trade receivables was as follows:</b>		
Less than 30 days	14,788,834	8,778,497
Between 30 and 60 days	7,309,786	5,778,508
Between 61 and 90 days	18,268,991	12,206,096
Between 91 and 120 days	5,966,555	11,447,914
Over 120 days	668,162,100	611,135,545
<b>Total</b>	<b>714,496,266</b>	<b>649,346,561</b>

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**20. (b) Staff Receivables**

	2023-24	2022-23
	Kshs	Kshs
Gross staff loans and advances	22,532	36,619
Provision for impairment loss	-	-
Less: Amounts due within one year	-	-
<b>Amounts due after one year</b>	<b>-</b>	<b>-</b>

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

	2023-24	2022-23
	Kshs	Kshs
At the beginning of the year	36,619	29,666
Additional provisions during the year	264,000	266,422
Recovered during the year	(278,087)	(259,469)
Written off during the year	(-)	(-)
<b>At the end of the year</b>	<b>22,532</b>	<b>36,619</b>

**21. Short Term Deposits**

	2023-24	2022-23
	Kshs	Kshs
<b>Commercial banks</b>		
Fixed deposit- Cooperative Bank	160,000,000	-
Call deposit-Cooperative Bank	-	50,000,000
<b>Accumulated Investments</b>	<b>160,000,000</b>	<b>50,000,000</b>

The company invested Kshs 50 million in fixed deposit on 19<sup>th</sup> October 2022 at interest rate of 10.25% p.a and matured on 19<sup>th</sup> October 2023. The company also invested Kshs 160 million on 7<sup>th</sup> July 2023 in fixed deposit at interest rate of 12.72% p.a which will mature on 7<sup>th</sup> July 2024.

The company has accrued interest up to 30th June 2024 amounting to Kshs 21,593,523 for the fixed deposits.

**22. Bank and Cash Balances**

	2023-24	2022-2023
	Kshs	Kshs
Cash at bank	235,068,679	235,115,031
Cash in hand	-	-
Mobile money account	199,852	93,566
	<b>235,268,531</b>	<b>235,208,597</b>

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**Detailed analysis of the cash and cash equivalents**

<b>a) Current account</b>			
Commercial banks			
Co-operative bank (Revenue A/C)	01136087648601	11,451,578	5,610,063
Co-operative bank (Expenditure A/C)	01136087648600	4,850,102	15,138,779
Co-operative bank (Savings A/C)	01100087648600	41,286,228	188,655,128
Co-operative bank (Water Worx A/C)	01136087648611	2,629	1,949
Co-operative bank (NACOSTEC A/C)	01136087648612	4,354,108	3,493
Co-operative bank (KeNHA Pipeline re-location A/C)	01136087648614	893,893	12,011,608
Co-operative bank (Performance Guarantee A/C)	01246087648600	7,396,378	7,396,378
Co-operative Bank Heshima UPC Project	01136087648615	299,245	1,028,850
Co-operative bank (WSTF CLSG A/C)	01141087648600	158,145,067	2,000
Co-operative bank (WSTF CLSG Escrow A/C)	01246087648601	2,000	100,000
Co-operative bank (WSTF Rhonda Manyani Project)	01100876486003	1,650,264	-
Co-operative Revolving Fund For Social Water Connection	01100876486004	238	-
Family bank – revenue collection	018000046253	2,245,580	3,860,402
Equity bank – revenue collection	0310261237839	2,491,371	1,306,381
Mobile money account	111444	199,852	93,566
Sub- total		235,268,531	235,208,597
Others		-	-
Sub- total			
<b>b) On – call deposits</b>			
Commercial banks		-	-
Others		-	-
Sub- total		-	-
<b>c) Fixed deposits account</b>			
Commercial banks		-	-
Others		-	-
Sub- total		-	-
<b>d) Others(specify)</b>			
Cash in transit		-	-
Cash in hand		-	-
Sub- total		-	-
<b>Grand total</b>		<b>235,268,531</b>	<b>235,208,597</b>

**23. Ordinary Share Capital**

	2023-24	2022-23
	Kshs.	Kshs.
<b>Authorized:</b>		
5,000 ordinary shares of Kshs.20 par value each	100,000	100,000
<b>Issued and fully paid:</b>		
5,000 ordinary shares of Kshs.20 par value each	100,000	100,000

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**24. (a) General Reserves**

	2023/24	2022/23
	Kshs.	Kshs.
Customer Accounts debtors	443,091,806	443,091,806
National Water Corporation	(168,490,370)	(168,490,370)
Laptrust Pension	(6,145,100)	(6,145,100)
NSSF	( 5,562,345)	( 5,562,345)
<b>TOTAL</b>	<b>262,893,992</b>	<b>262,893,992</b>

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

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

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

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

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

**24 (b) Non-Current Accounts payable**

	2023/24	2022/23
	Kshs	Kshs
National Water Corporation	168,490,370	168,490,370
NSSF	5,562,345	5,562,345
Share Capital in NAWASSCOAL	<u>100,000</u>	<u>100,000</u>
<b>TOTAL</b>	<b>174,152,715</b>	<b>174,152,715</b>

This relates to operational liabilities transferred from the defunct Municipal council of Nakuru to the company in 2004. The amounts were due to National Water Corporation Kshs. 168,490,370, KPLC Kshs. 45,108,015 and employees’ statutory deductions Kshs.11, 707,446 all amounting to Kshs.225,

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305,830 were assigned to the company for the time being subject to resolution with the Treasury - Ministry of Finance.

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

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

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

**25. Revaluation Reserve**

	2023-24	2022-23
	Kshs.	Kshs.
Revaluation of land and office block	31,720,163	32,980,405
Amortization on revaluation	(1,353,593)	(1,260,242)
<b>Total</b>	<b>30,366,570</b>	<b>31,720,163</b>

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

**26. Retained Earnings**

	2023-24	2022-23
	Kshs.	Kshs.
As at 1 July	206,235,529	203,108,198
Profit for the year	(54,382,923)	3,127,331

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Dividends declared	-	-
<b>As at 30 June</b>	<b>151,852,606</b>	<b>206,235,529</b>

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

**27. Deferred Tax Asset**

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

	2023-24	2022-2023
	Kshs	Kshs
Accelerated capital allowances	30,484,671	37,402,407
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	16,419,959	-
Provisions for liabilities and charges	3,043,393	3,240,974
<b>Net deferred tax Asset</b>	<b>49,948,023</b>	<b>40,643,381</b>

The movement on the deferred tax account is as follows:

	2023-24	2022-2023
	Kshs	Kshs
<b>Balance at beginning of the year</b>	<b>40,643,381</b>	<b>33,537,630</b>
Credit to revaluation reserve	-	-
Under provision in prior year	-	-
Income statement charge/(credit)	9,304,642	7,105,751
<b>Balance at end of the year</b>	<b>49,948,023</b>	<b>40,643,381</b>

**28. Provisions**

Description	Leave Provision	Gratuity provisions	Total
	Kshs	Kshs	Kshs
Balance at the beginning of the year 1 <sup>st</sup> July 2023	5,484,760	5,318,486	10,803,246
Additional Provisions	(1,813,475)	1,154,872	(658,603)
Provision utilised	(-)	(-)	(-)
Change due to discount and time value for money	-	-	-
<b>Balance at the end of the year 30<sup>th</sup> June 2024</b>	<b>3,671,285</b>	<b>6,473,358</b>	<b>10,144,643</b>

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**Provisions details**

Description	Kshs	
	2023-24	2022-23
Current Portion of Provisions	4,826,157	5,484,760
Long-term portion of Provisions	5,318,486	5,318,486
<b>Total</b>	<b>10,144,643</b>	<b>10,803,246</b>

**29. Trade and Other Payables**

	Kshs	
	2023-24	2022-23
Trade payables	664,058,681	499,065,790
Other payables	19,551,189	9,803,434
<b>As at 30<sup>th</sup> June,</b>	<b>683,609,870</b>	<b>508,869,224</b>

**Aging Analysis for Trade and other Payables**

	2023-24		2022-23	
	Amount	% of the total	Amount	% of the total
Under one year	264,727,157	40 %	77,091,917	29%
1-2 years	123,534,704	19 %	155,980,487	55%
2-3 years	-	-	-	-
Over 3 years	275,796,820	42 %	275,796,820	15%
<b>Total</b>	<b>664,058,681</b>		<b>508,869,224</b>	

**30. Refundable Deposits and Prepayments**

	Kshs	
	2023-24	2022-23
Customer deposits	143,453,901	137,371,632
Add: deposits received during the year	5,772,240	7,215,188
Less: Refunded deposits during the year	( 729,497)	1,598,678
Prepayments by customers	21,156,024	29,883,224
<b>Total</b>	<b>169,652,668</b>	<b>172,871,366</b>

**Aging Analysis for Refundable Deposits and Prepayments**

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

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**31. Deferred Income**

	2023-24	2022-23
	KShs	KShs
Grant from WSTF	164,278,909	11,240,944
Grant Prepaid Meters by SUWASA	20	20
Grants by Vitens Evides	9,422,505	19,733,522
Grants by County Government of Nakuru	618,867	1,237,736
Grants by UNICEF	10,771,677	15,565,496
Grants by KENHA	513,474,103	449,090,141
World Wide Fund for Nature	4,461,117	-
<b>Total deferred income</b>	<b>703,027,198</b>	<b>496,867,860</b>

The deferred income movement is as follows:

	County Government	International funders	Government Agencies	Total
Balance brought forward	1,237,736	35,299,037	460,331,085	496,402,102
Additions	-	-	351,594,993	351,594,993
Amortization	(618,869)	(10,643,718)	(134,173,067)	(145,435,654)
Balance carried forward	618,867	24,655,319	677,753,011	703,027,198

**32. Notes to The Statement of Cash Flows**

	2023-24	2022-23
	KShs	KShs
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations</b>		
Profit or loss before tax	(54,382,922)	3,127,331
Depreciation	70,441,810	70,120,561
Amortization of land and buildings	-	-
Amortization	14,012,786	16,817,531
Working capital changes:		
(Increase)/decrease in inventories	3,620,465	5,411,893
(Increase)/decrease in trade and other receivables	(211,627,167)	(53,126,666)
Increase/(decrease) in trade and other payables	174,740,646	(31,455,976)
Increase/(decrease) in provision for staff leave and gratuity pay	(658,603)	3,327,194
Increase in Customer Deposit	(3,218,698)	10,747,548
Income Tax payable	6,740,218	(2,494,847)
Deferred Tax Asset	(9,304,642)	(7,105,751)
<b>Cash generated from/ (used in) operation</b>	<b>(9,636,109)</b>	<b>15,368,816</b>
<b>(b) Analysis of changes in loans</b>		

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	2023-24	2022-23
	KSh	KSh
Balance at beginning of the year	-	-
Receipts during the year	-	-
Repayments during the year	-	-
Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
<b>Balance at end of the year</b>		
<b>(c) Analysis of cash and cash equivalents</b>		
Short term deposits	160,000,000	50,000,000
Cash at bank	235,268,531	235,208,597
Cash in hand	(-)	(-)
<b>Balance at end of the year</b>	<b>395,268,531</b>	<b>285,208,597</b>
<b>(d) Analysis of interest paid</b>		
Interest on loans	-	-
Interest on bank overdraft	-	-
Interest on lease liabilities	-	-
Interest on loans capitalised	-	-
Balance at beginning of the year	-	-
Balance at end of the year	-	-
Interest paid	-	-
<b>(e) Analysis of dividend paid</b>		
Balance at beginning of the year	-	-
2022 dividends paid	-	-
Balance at end of the year	-	-
Dividend paid	-	-

**Other Disclosures**

**33. Related Party Disclosures**

**County Government of Nakuru**

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

Other related parties include:

- The County Department in charge of Water
- County Government of Nakuru

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- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WRA
- Water Sector Trust Fund
- Key management
- Board of directors
- NAWASSCOAL Company Ltd

**Transactions with related parties**

	2023-24	2022-2023
	KSh.	KSh.
<b>a) Sales to related parties</b>		
Sales of goods /services to County Government of Nakuru	18,814,419	23,060,605
Water sales to Govt. agencies	91,716,145	39,060,605
Sale of goods /services to NAWASCOAL	88,081	406,159
<b>Total</b>	<b>110,618,645</b>	<b>62,527,369</b>
<b>b) Purchases from related parties</b>		
Purchase of water from Govt service providers	-	-
Rent expenses paid to Govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-
Bank charges paid to Govt Commercial banks	-	-
Interest expense to investments by other govt. entities	-	-
Others (specify)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>b) Grants from the Government</b>		
Grants from National Govt Agencies	351,594,993	3,967,500
Grants from County Government	-	-
Donations in kind	-	-
<b>Total</b>	<b>351,594,993</b>	<b>3,967,500</b>
<b>c) Key management compensation</b>		
Directors' emoluments	11,469,243	6,164,792
Compensation to key management	46,134,828	46,823,961
<b>Total</b>	<b>57,604,071</b>	<b>52,988,753</b>

**34. Capital Commitments**

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

	2024	2023
	KSh.	KSh.
Amounts authorized and contracted for	642,179,966	642,179,966
Amounts authorized but not contracted for	-	-
Less: Amounts paid	(518,931,815)	(448,910,342)

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Total funds	123,248,151	197,658,624
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This relates to re-location of water and sewerage infrastructure along Nairobi- Nakuru Highway Barnabas-Njoro turn off to pave way for the construction of the highway. The Funds were provided by Kenya National Highway Authority.

**Contingent Assets and Liabilities**

The company had 24 court cases relating to customer's disconnection disputes. The Company does not expect material awards by the courts from cases.

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

**35. Financial Risk Management**

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

**i. Credit risk**

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

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

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

	Carrying amount of financial assets	Maximum exposure to credit risk	Maximum exposure to credit risk	Maximum exposure to credit risk
<b>At 30 June 2024</b>				
Receivables from exchange transactions	714,496,266	281,390,223	433,106,043	-
	235,268,531	235,268,531	-	-

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<b>Total</b>	<b>949,764,797</b>	<b>516,658,754</b>	<b>433,106,043</b>	<b>-</b>
<b>At 30 June 2023</b>				
Receivables from exchange transactions	649,346,561	255,732,300	393,614,261	-
Bank balances	235,208,597	235,208,597	-	=
<b>Total</b>	<b>884,555,158</b>	<b>490,940,897</b>	<b>393,614,261</b>	<b>-</b>

**Credit Risk**

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

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

**ii. Liquidity risk management**

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2024</b>				
Trade payables	182,591,243	36,901,277	444,566,161	664,058,681
Provisions	-	-	10,144,643	10,144,643
Deferred income	-	-	703,027,198	703,027,198
Other payables	16,925,155	-	2,626,034	19,551,189
<b>Total</b>	<b>199,516,398</b>	<b>36,901,277</b>	<b>1,160,364,036</b>	<b>1,396,781,711</b>
<b>At 30<sup>th</sup> June 2023</b>				
Trade payables	55,874,701	21,217,216	421,973,873	499,065,790
Provisions	-	-	10,803,246	10,803,246
Deferred income	-	-	496,402,102	496,402,102
Other payables	-	-	9,803,434	9,803,434
<b>Total</b>	<b>55,874,701</b>	<b>21,217,216</b>	<b>938,982,655</b>	<b>1,016,074,572</b>

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**iii. Market risk**

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

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

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

**a) Interest rate risk**

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

**i) Management of interest rate risk**

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

**ii) Capital Risk Management**

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

	2023-24	2022-23
	Kshs	Kshs
Revaluation reserve	30,366,570	31,720,163
Retained earnings	151,852,607	178,481,494
General reserve	262,893,992	262,893,992
<b>Total funds</b>	<b>445,113,169</b>	<b>473,095,649</b>

**36. Incorporation**

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

**37. Events After the Reporting Period**

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

**Nakuru Water and Sanitation Services Company Ltd.**

**Annual Report and Financial Statements for the year ended June 30, 2024**

**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)
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**REPORT ON THE FINANCIAL STATEMENTS**

**Qualified Opinion**

**Basis for Qualified Opinion**

<p><b>1. Inaccuracies in the Statement of Cash Flows</b></p>	<p>The statement of cash flows reflects increase in customer deposits amounting to Kshs.11,213,306 which differs with the computed amount of Kshs.10,747,548 resulting to unexplained and unreconciled variance of Kshs.465,758. Further, the statement reflects net cash flows FROM investing activities amounting to Kshs.66,429,984 which differs with the recomputed amount of Kshs.66,895,742 resulting to unexplained variance of Kshs.465,758 which has also not been explained or reconciled. In the the circumstances, the accuracy of the cash flow statement could not be confirmed.</p>	<p><i>The correct figure of increase in customer deposit was Kshs.10,747,548 as computed by the Auditor-General. The amount of Kshs.11,213,306 which had been reported was a typing error but the total Net Cash From (Used In) Operating Activities of Kshs15,368,816 was not affected. We have now reported the correct figure of Kshs10,747,548 in the financial statements for the year ended 30th June, 2024.</i></p> <p><i>The recomputed amount of Net Cash Flows From/ (Used In) Investing Activities amounting to Kshs.66,895,742 by the Auditor-General is also correct but the error occurred during the summation.</i></p> <p><i>This error has now been corrected in the Statement of Cash Flows for the year ended 30th June, 2024.</i></p> <p><b>Current Status</b> <i>Inaccuracies in the Statement of Cash Flows have now been resolved</i></p>	<p>Isaac M. Makori Finance Manager</p>	<p>Resolved</p>	<p>-</p>
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Nakuru Water and Sanitation Services Company Ltd.  
Annual Report and Financial Statements for the year ended June 30, 2024

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. Non-Disclosure of Production Cost	<p>The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflect general operations expenses amounting to Kshs.585,259,214. The amount includes chemicals, electricity and bulk water costs amounting to Kshs.8,084,947, Kshs.282,710,684 and Kshs.50,568,412 respectively all totaling to Kshs.341,364,043 which are direct expenses on water production. However, the cost of water production has not been disclosed separately in accordance with Paragraph 103 of the International Accounting Standards which requires separate disclosure of cost of sales from other expenses.</p> <p>Further, the the cost of chemicals and bulk water has not been adjusted for opening and closing stocks movements .</p> <p>In the circumstance, the statement of profit or loss and other comprehensive income is not in accordance with the International Financial Reporting Standards.</p>	<p><b>(a) Separate disclosure of cost of sales from other expenses.</b></p> <p><i>The company while reporting the financial statements used the reporting template which had been provided by the National Treasury , Public Sector Accounting Standards Board (PSASB) specifically for Water Companies which categories the cost chemicals, electricity and bulk water costs under General and Operations Expenses.</i></p> <p><i>The new financial reporting template provided by the PSASB does not have a category for cost of sales. It categorizes all expenses into Staff costs, Board Expenses, General &amp; Operations Expenses and Maintenance Expenses.</i></p> <p><i>In order to comply with the new financial reporting template, we included chemicals, electricity and bulk water costs in the General and Operations Expenses.</i></p> <p><i>The company decided to comply with guidelines which had been provided by the PSASB</i></p> <p><i>The company has since provided the Auditor-General with the circular on the revised annual financial reporting template for Water Companies for review.</i></p>	Isaac M. Makori - Finance Manager	Not Resolved	30 <sup>th</sup> June, 2025

**Nakuru Water and Sanitation Services Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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><i>(b) Adjustment of the cost of chemicals and bulk water for opening and closing stocks movements</i></p> <p><b>Cost of chemicals</b>  <i>The cost of chemicals during year under review was adjusted with the opening and closing stocks movement. We have attached a schedule for your review.</i></p> <p><i>The company has since provided the Auditor-General a schedule indicating how the cost of chemicals was by adjusted by the opening and closing stocks for review.</i></p> <p><b>Cost of bulk water</b>  <i>As regards to the cost of bulk water, the company does not maintain water stocks as the water that is produced is distributed directly to the customers through a pipe network for consumption.</i></p>			

Nakuru Water and Sanitation Services Company Ltd.  
Annual Report and Financial Statements for the year ended June 30, 2024

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)
2. Inaccuracies the staff cost expense	<p>The statement of profit or loss and other comprehensive income and as disclosed in Note 10 to the financial statements reflects staff cost of Kshs. 290,768,518. The amount includes gross salary and allowances amounting to Kshs.248,311,818 which differs with the payroll amount of Kshs.246,445,926 resulting to unreconciled variance of Kshs.1,865,892.</p> <p>Further, the staff costs amount includes increase in provisions for leave pay and gratuity of Kshs.2,250,173 and Kshs.1,077,021 respectively which were not supported or explained.</p> <p>In the circumstances, the accuracy and validity of staff cost of Kshs. 290,768,518 could not be confirmed.</p>	<p><i>i. Variance of Kshs1,865,892</i> <i>This amount relates to terminal dues of Kshs 1,416,817.32 that was paid to retired employees outside the payroll but included in the overall staff costs.</i></p> <p><i>The balance of Kshs 449,022.05 relates to additional tax assessment of PAYE.</i></p> <p><i>We have since provided the Auditor-General with the schedule of terminal dues and additional PAYE tax both which were paid outside the payroll for review.</i></p> <p><i>ii. Variance of Kshs2,250,173</i> <i>This amount relates to an increase in accrued outstanding staff leave pay provisions as at 30<sup>th</sup> June 2023. This amount is calculated based on the annual basic pay and the unutilized staff leave days during year.</i></p> <p><i>The provision for leave pay as per the audit certificate for the financial year 2021-22 was Kshs 3,234,578 while the</i></p>	Isaac M. Makori - Finance Manager	Not Resolved	30 <sup>th</sup> June, 2025

**Nakuru Water and Sanitation Services Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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><i>computed outstanding leave pay in the financial year 2022-23 was Kshs 5,484,760 hence the increase of Kshs 2,250,173.</i></p> <p><i>We have since provided the Auditor-General with the schedule of Staff leave pay provision computations for review.</i></p> <p><i>iii. Variance of Kshs1,077,021 This amount relates to the increase in provision of gratuity for the staffs serving under contracts. To match costs to the period they are incurred we compute the gratuity annually and adjust for any payments during the year thus an increase or decrease in gratuity provisions. We have attached the gratuity movement schedule for your review.</i></p> <p><i>We have since provided the Auditor-General with the schedule of Staff gratuity provision computation for review.</i></p>			
<b>3. Unsupported Fuel, oil, Lubricants and Gases Expenditure</b>	The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects general and other operations expenses amounting to Kshs.585,259,214. The	<i>The company had provided the fuel, oil and lubricants and gases procurement documents during the audit review amounting to Kshs.11,853,187. Included in this expenditure are other transport related expenses such retirees baggage allowances and air</i>	<i>Isaac M. Makori Finance Manager</i>	<i>Not resolved</i>	<i>30<sup>th</sup> June, 2025</i>

**Nakuru Water and Sanitation Services Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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>amount includes fuel, oil, lubricants and gases expenditure amounting to Kshs.11,853,187. However, the expenditure was not supported by way of fuel supplier statements and job cards for repairs. Further, procurement records for fuel were not provided for audit review.</p> <p>In the circumstances, the accuracy and propriety of fuel, oil, lubricants and gases expenditure amounting to Kshs.11,853,187 could not be confirmed.</p>	<p><i>tickets which had been budgeted under this expenditure line item.</i></p> <p><i>We have since resubmitted the the procurement and payment documents to Auditor-General for review.</i></p>			
<p><b>4. Unsupported Central Rift Valley Water works Development Agency Lease Fees</b></p>	<p>The statement of profit or loss and other comprehensive income as disclosed in Note 11 to the financial statements reflects general and operations expenses amounting to Kshs.585,259,214. The amount includes Central Rift Valley Water Works Development Agency (CRVWDA) lease fees amounting to Kshs.39,468,545 as in respect of loan repayment to CRVWDA. However, the loan was not supported with loan agreement, loan account and</p>	<p><b>(a) AfDB loan agreement, loan account and loan statement</b></p> <p><i>According to the Water Act 2002, the development of water and sanitation infrastructure was the mandate of Water Service Boards who under a Service Provision Agreement (SPA) appointed agents to operate and maintain the assets while the ownership remained with the Service Boards. The company was one of the appointed agents of Rift Valley Water Services Board (RVWSB)</i></p> <p><i>The former RVWSB currently Central Rift Valley Water Works Development Agency</i></p>	<p>MD&amp; Isaac Makori - Finance Manage</p>	<p>Not resolved</p>	<p>30<sup>th</sup> June, 2025</p>

**Nakuru Water and Sanitation Services Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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>loan statement. Further, no explanation was provided for expensing a loan repayment.</p> <p>In addition, the Company has not taken possession and ownership of the assets financed by the loan. As previously reported, the lease fees relate to repayment of loan of Kshs.994,706,658 procured from the African Development Bank (AfDB) through the defunct Central Rift Valley Water Works Development Agency (CRWWDA) in 2014. Although the company continues to service the loan, the outstanding loan balance is not reported in the financial statements as required by the standards. This is also in breach of Section 628(3) of the Companies Act No.17 of 2015 which requires accounting records of the Company to contain day-to-day entries of all amounts of money received and spent.</p> <p>In the circumstances, the accuracy and validity of CRVWWDA lease fees amounting to Kshs.39,468,545 for the</p>	<p><i>(CRVWWDA) being owner of the water assets in the year 2004-2009 obtained a loan from African Development Bank (AfDB) through the Government of Kenya for the construction of the Olbanita Water Project and other related works. After the completion of the project it was handed over to the company for operations and maintenance but RVWSB retained the ownership of the assets.</i></p> <p><i>The loan documents held by RVWSB/CRVWWDA indicates that, the Government of Kenya acting through its Ministry of Finance in the year 2005 signed a loan agreement with RVWSB/CRVWWDA for financing projects to improve water supply and sanitation services in its service area. The loan was from African Development Bank (AfDB) to the Government for on-lending to RVWSB/CRVWWDA.</i></p> <p><i>The RVWSB/CRVWWDA was required to use the money for projects in its service area being served by Nakuru Water and Sanitation Services Company Ltd (NAWASSCO), Naivasha Water and Sanitation Services Ltd (NAIVAWASS) and Nakuru Rural Water and Sanitation Company Ltd (NARUWASSCO). The Principal loan amount was Kshs.1, 367,823,916.00 at an interest rate of 2.5% p.a over a tenor of 30 years including a grace period of 5 years which</i></p>			

**Nakuru Water and Sanitation Services Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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>year ended 30 June, could not be confirmed.</p>	<p><i>after completion of the various projects in each Company's area of jurisdiction was shared proportionately according to the projects undertaken. The portion for NAWASSCO was Kshs.994, 706,658 before interest which the company servicing through CRVWWDA at Kshs.39, 468,544.80 p.a.</i></p> <p><b>(b) Company taking possession and ownership of the assets financed by the AfDB loan</b></p> <p><i>It is important to note that the Water Act, 2016 has not been fully operationalized since the ownership of the Olbanita Project including the various parcels of land for the boreholes, water treatment plants and water tanks are in the name of RVWSB/CRVWWDA which causes a challenge in recording the same as assets in the company books of accounts. The company is only using the assets to generate revenue and remittance of part of the revenue to RVWSB/CRVWWDA for loan repayment.</i></p> <p><i>If the company records the loan and the related assets in its books it would result to double accounting since the same is already recorded in the books of RVWSB/CRVWWDA.</i></p> <p><i>However, the Company is currently treating the loan</i></p>			

**Nakuru Water and Sanitation Services Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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><i>repayment as a lease fees payable for use of the assets and expensing it in the financial statement.</i></p> <p><i>(c) Disclosure of the AfDB loan in the financial statement</i></p> <p><i>This has been disclosed under Note 11 to the financial statements</i></p> <p><i>The company has since provided a copy of the loan agreement signed between the National Government and RVWSB/CRVWWDA</i></p> <p><i>In addition, the company is waiting for a formal transfer of assets and liabilities from the CRVWWDA as per the Water Act 2016.</i></p>			
<p><b>5. Unsupported Income Tax Expense</b></p>	<p>The statement of profit or loss and other comprehensive income reflects income tax expense totaling to Kshs.13,015,523. The amount includes current year tax assessments amounting to Kshs.7,231,929. Review of records revealed that the Company contracted a tax consultant to carry out tax assessment. However, the tax assessment report was not provided for audit review.</p> <p>In the circumstance, the accuracy and regularity of</p>	<p><i>The amount of Kshs.7,231,929 was an additional corporate tax assessment which arose as a result of KRA audit of the company's tax compliance on filing corporate tax returns.</i></p> <p><i>The additional tax assessment was largely due to the initial company self-tax assessment of corporate tax in which interest on fixed and call deposits was combined with other revenues while from the KRA point of view, the interest on fixed and call deposits was supposed to be taxed separately at 30%. The KRA interpretation of the policy increased the tax on fixed and call deposits from 15% which had been withheld at source to 30% and therefore</i></p>	<p>Isaac Makori - Finance Manager</p>	<p>Not resolved</p>	<p>30<sup>th</sup> June, 2025</p>

**Nakuru Water and Sanitation Services Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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)
	income tax expense of Kshs.7,231,929 could not be confirmed.	<p><i>we were required to pay the difference.</i></p> <p><i>The final additional tax amount is comprised of the principal amount, interest and penalty.</i></p> <p><i>We have since provided the Auditor-General with a copy of the additional tax assessment report for review.</i></p>			
<b>6. Unsupported Property, Plant and Equipment</b>	<p>The statement of financial position and as disclosed in Note 16 to the financial statements reflects property, plant and equipment balance of Kshs.780,733,160. The balance includes additions during the year of Kshs.81,869,458. Review of records provided for audit revealed that water meters valued at Kshs.25,087,918 were installed. However, the list of customers connected with water meters was not provided for audit.</p> <p>In the circumstances, the accuracy,existence and fair statement of additions to property , plant, and equipment balance of Kshs.81,869,458 could not confirmed.</p>	<p><i>The Company had provided a schedule of the meters' additions during the audit of the year under review indicating customer names, account numbers, meter serial numbers and location of meter installation.</i></p> <p><i>We have since a provided a schedule of customers who were connected with new the meters for review.</i></p>	James M. Gathairu- Commercial Manager & Isaac Makori - Finance Manager	Not resolved	30 <sup>th</sup> June, 2025
<b>7. Unsupported Inventories</b>	The statement of financial position and disclosed in Note 19 to the financial statements reflects inventories amounting to	<p><b>(a) Sock Taking Sheets</b></p> <p><i>The annual stock take was undertaken and signed stock</i></p>	Isaac Makori - Finance Manager & Gilbert K. Mutai-	Not resolved	30 <sup>th</sup> June, 2025

**Nakuru Water and Sanitation Services Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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>Kshs.41,765,724. However, the amount was not supported with stock taking sheets . Further, the amount does not include the volume of water which had been produced, stored or held within the distribution infrastructure at the end of the financial year.</p> <p>In addition , physical stock counts was undertaken at least quarterly. This is contrary to Section 162 (2)of the Public Procurement and Asset Disposal Act 2015 which requires the head of procurement function to arrange for occasional visits of inspection to the stores, at least quarterly in each calendar year, and conduct quarterly and annual inventory and stock taking.</p> <p>In the circumstances, the accuracy and fair statement of inventories balances of Kshs.41,765,724 could not be confirmed.</p>	<p><i>taking sheets were availed during audit.</i></p> <p><i>We have provided the stock take sheets to the Auditor-General for review.</i></p> <p><i>(b) Volumes of Water Stored/ Held within the Distribution Infrastructure at the end of the financial year.</i></p> <p><i>The company does not have water storage facilities because the water that is abstracted from boreholes 26 No. (currently 40 No.)and river sources 2 No. is distributed directly to consumers through an underground pipe network for continuous consumption.</i></p> <p><i>The Company has total distribution network of over 580 kilometers comprising of various sizes of pipes ranging from 24" to 2" diameter and therefore the water in the distribution lines cannot be practically measured. In addition the Company is not able to meet the demand of water because it produces an average of 40,000M<sup>3</sup> per day against a demand of 75,000M<sup>3</sup> per day.</i></p> <p><i>The company appreciates that this is a new requirement for Water Companies to start reporting on the water inventories held in the storage facilities as at the close of the financial year. However, a</i></p>	Procurement Manager		

**Nakuru Water and Sanitation Services Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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><i>model needs to be developed for use by all water companies to measure the quantities of water in the pipe network at any given time.</i></p> <p><i>(c) Quarterly Physical Stock Counts by the Head of Procurement Function</i></p> <p><i>We have noted the recommendation by Auditor-General to ensure that occasional visits of inspection to the stores, at least quarterly in each calendar year are undertaken. In addition we shall ensure that quarterly stock taking are undertaken.</i></p>			
<p><b>8. Unsupported General Reserve Balances</b></p>	<p>The statement of financial position and as disclosed in Note 24 to the financial statements reflects general reserves balance of Kshs.262,893,992. The balance relates to operational assets and liabilities amounting to Kshs.443,091,806 and Kshs.180,197,815 which were inherited from the defunct Nakuru Municipal Council. However, ledgers and deed of transfer in support of the inherited assets and liabilities were not provided for audit review.</p> <p>In the circumstances, the accuracy and completeness</p>	<p><i>The company had provided a deed agreement of assets and liabilities transfer signed during the company inception in the year 2004 between the defunct Municipal of Nakuru and the company during the audit. We however provide a copy of the same for your review.</i></p> <p><i>As regards, the ledgers the same were also provided during the audit review but you will note that the figures have since the year 2004 changed because of the daily transactions which have been recorded in the two ledgers.</i></p> <p><i>We have since provided the Auditor-General with a copy</i></p>	<p>Isaac Makori - Finance Manager</p>	<p>Resolved</p>	<p>-</p>

**Nakuru Water and Sanitation Services Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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)
	of general reserves balance of Kshs.262,893,992 could not be confirmed.	<i>of deed transfer agreement which has the list of Assets and liabilities transferred for review.</i>			
<b>Other Matter</b>					
<b>1. Budgetary Control and Performance</b>	<p><i>The statement of comparison of budget and actual amount reflect final revenue budget actual on comparable basis of Kshs.1,184,724,287 and Kshs.1,090,131,618 respectively resulting to a revenue shortfall of Kshs.94,591,670 or 8% of the budget.</i></p> <p><i>The shortfall in revenue collection may have negatively impacted on the planned activities which affected service delivery to the residents of Nakuru.</i></p>	<p><i>The revenue short fall of Kshs. 94,591,670 between the budgeted and actual revenue was as a result of delay in the commissioning of 14 No. new donated boreholes by Ministry of Water, Sanitation and Irrigation whose estimated revenue generation was included in the budget but by the end of the year under review only 4 No. had been put into operation due to challenges which arose in getting the pumps connected to power.</i></p> <p><i>These challenges have since been sorted out and the boreholes are now in operation</i></p>	Gilbert K. Mutai, Ag. Technical Manager	Resolved	-
<b>2. Unresolved Prior Year Matters</b>	<p><b>Unresolved Prior Year Matters</b></p> <p><i>In the audit report of the previous year , several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance which</i></p>	<p><i>On 3<sup>rd</sup> July, 2023 the company management appeared before the County Assembly Committee on Public Accounts and Investments and presented its responses to the report of the Auditor General for the period ended 30th June, 2021. The County Assembly has since communicated its findings and recommendations which are under implementation.</i></p>	MD& Isaac Makori - Finance Manager	Not resolved	30 <sup>th</sup> June, 2025

**Nakuru Water and Sanitation Services Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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)
	<i>remained unresolved as at 30 June, 2023</i>	<p><i>In addition on 25<sup>th</sup> July, 2024 the company management also appeared before the County Assembly Committee on Accounts and Investment in which it presented its responses to the Auditor-General report for the year ended 30 June, 2022 and the committee is yet to share its findings and recommendations.</i></p> <p><i>Further the company management on 25<sup>th</sup> July, 2024 appeared before the County Assembly Committee on Implementation and presented a status report on the implementation of the Auditor-General reports for the periods ended 30 June, 2017 to 30 June, 2022. The committee is yet to share its findings and recommendations.</i></p>			

**REPORT ON LAWFULNESS AND EFFECTINESS IN USE OF PUBLIC RESOURCES**

**Conclusion**

**Basis for Conclusion**

<b>1. Significant Non Revenue Water</b>	<p>The statement of profit or loss and other comprehensive income reflects operating revenue amounting to Kshs.1,067,955,215. The amount includes water sales amounting to Kshs.697,320,479 as further disclosed in Note 6 to the financial statements. Review of records revealed</p>	<p><i>The company is very keen on reducing NRW to below the sector bench mark levels of 25% and a lot of measures have been put in place bring it down.</i></p> <p><i>In the company 5 year strategic plan, one of the objectives among others is to increase operation efficiency in non-revenue water management. In this objective the company has undertaken to install a model of</i></p>	<p>Gilbert K. Mutai -Ag. Technical Manager &amp; James M. Gathairu- Commercial Manager</p>	<p>Not resolved</p>	<p>30<sup>th</sup> June, 2025</p>
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**Nakuru Water and Sanitation Services Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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>that the Company produced a total of 11,966,661 cubic meters (M<sup>3</sup>) of water out of which, 8,464,434 Cubic Metres (M<sup>3</sup>) of water was billed to customers for Kshs.697,320,479 while the balance of 3,481,041 cubic meters (m<sup>3</sup>) or approximately 29% of the total volume of water produced represents non-revenue water. The non-revenue water of 29% was over and above the allowable loss of 25% set by the Water Services Regulatory Board (WASREB) guidelines by 4%.</p> <p>Further, the non-revenue water amounting to 3,481,041 cubic meters (M<sup>3</sup>) resulted in loss sales amounting to Kshs.205,381,419 at the rate of Kshs.59 per M<sup>3</sup> minimum water sale tariff. In addition, a Non Revenue Water function has not been established contrary to Paragraph 1.6.2 of Non-Revenue Water Management Standards in Kenya Guidelines of June 2022.</p> <p>The significant level of non-revenue water is an</p>	<p><i>District Areas Management Areas (DMAs) and Territory Management Areas (TMAs) so as to know the amount of water distributed to each area for ease management of NRW.</i></p> <p><i>In addressing Physical losses, the company has a robust plan to replace old dilapidated network and the following areas have been a considered for network improvement in FY 2024/2025;</i></p> <p><i>Heshima -13km</i></p> <p><i>Mali Kumi- 11.1 km</i></p> <p><i>Furthermore, as part of a proactive measure to locate invisible leaks, Minimum night flow measurement is being enhanced across all zones, this will aid in reducing the physical water losses.</i></p> <p><i>In addition the company has in place an illegal use prevention unit which has been allocated resources to fight NRW</i></p> <p><i>Some of the interventions that have been undertaken so far to bring down the NRW include:-</i></p> <p><i>i. Rehabilitation of old dilapidated networks within the supply area.</i></p> <p><i>The company has rehabilitated some of the water networks with the aim of reducing</i></p>			

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	<p>indication of ineffectiveness in the use of public resources, which may negatively impact on the Company's profitability and its ability to sustain its services.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p><i>physical losses at Eastern Zone and part of Northern Zone by replacing the old dilapidated network with a new network of about 26kms.</i></p> <p><i>The Company has replaced the old and dilapidated networks in Mawanga, Eastmore, Upperhill and Natewa Estates which had an average baseline NRW of 52.4% and at Heshima Estate in Eastern Zone with a baseline NRW of 67.2%.</i></p> <p><b>ii. Use of high quality pipes and fittings</b>  <i>In addition, the company is currently using High Density Poly Ethylene (HDPE) pipes instead of Ultra Poly Vinyl Chlorite (UPVC) for network extension and maintenance. HDPE pipes are stronger, can withstand higher pressure, have less joints and less prone to leaks and bursts.</i></p> <p><b>iii. Replacement of old/faulty and under registering meters</b>  <i>The company is replacing faulty/old/under registering meters with automatic meter reading (AMR) enabled meters which are more accurate with the aim of automating them fully for real time meter reading and easier NRW computations. Once fully automated human errors will be eliminated and accurate billing will be achieved. So far 15,000 smart enabled meters have been installed within Central and Southern Zones.</i></p> <p><b>iv. Data management</b></p>			

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		<p><i>The company has procured and implemented a new ERP system which enhances data accuracy and management of water production, zonal and consumer meters as well as billing data. The company is now able to obtain real time, credible and accurate data for ease of NRW management.</i></p> <p><i>v. Minimizing water theft</i>  <i>Due to rampant water theft mainly in the low income areas, the Company has resolved to have all meters relocated to the nearest mains. So far 12000 meters have been relocated. Further surveillance for illegal use has been intensified whereby the illegal use team have been facilitated with a vehicle, a motorbike and security reinforcement where need be.</i>  <i>The unit is able to investigate, monitor and penalize illegal use cases and it is also responsible for billing data analysis (Checking customer consumption/billing trends) and meter testing/calibration.</i></p> <p><i>vi. Carrying out Minimum Night Flow Measurement (MNFM)</i>  <i>MNFM helps to determine the integrity of the system in terms of leakages. This has been done at Manyani Estate in Southern Zone and Mawanga, Eastmore, Upperhill and Natewa Estates in Eastern Zone.</i></p>			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
		<i>The company has been able to reduce NRW by achieving 30% by end of 30th June, 2022, 29% by end of June, 2023 and 26% by end of June, 2024.</i>			
2.Failure to Collect Debts	The Statement of Financial Position and as disclosed in Note 20 to the financial statement reflects trade and other receivables totaling to Kshs.703,163,439. The amount includes receivables amounting to 393,936,068 due from thirteen thousand one hundred and eighteen (13,118) customers' accounts which had been terminated or remained dormant for over one year. Management has not made any effort to collection the debts.	<p><i>As at 30<sup>th</sup> June 2024 the dormant accounts stood at 8638 from 13,118 in June 2023. The reduction in these dormant accounts is attributed to wooing back the defaulters and entering into flexible repayment plans to clear the outstanding debt.</i></p> <p><i>In addition, the company is continuously carrying out the data cleaning of many duplicate accounts that were inherited from the defunct Municipal Council of Nakuru and captured from the then manual system.</i></p> <p><i>A large portion of the outstanding debts amounting to Kshs215,703,435 is owed by the defunct Municipal Council of Nakuru which the County has been promising to pay. We have been constantly following up this amount with the then Transition Authority and currently with the County Government.</i></p> <p><i>The balance of Kshs178,232,633 was owed by other 8607 No. customers and are under investigations.</i></p> <p><i>Going forward the company has planned for a customer identification survey to be carried on all water networks</i></p>	James M. Gathairu - Commercial Manager	Not resolved	30 <sup>th</sup> June, 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
		<p><i>to exhaustively cleanse our database. In addition, we shall recover the above outstanding debts in the dormant accounts from respective account deposits.</i></p> <p><b>Current Status</b>  <i>The balance owed by the defunct Municipal Council of Nakuru is still outstanding and the balance owed by other customers is still under investigation.</i></p>			
	<p>Further, the amount includes a loan to NAWASSCOAL Company Limited amounting to Kshs.17,477,375 which was not supported with loan agreement and has never been repaid. The loaning is also not but of the objectives of the Company.</p>	<p><i>The total amount of the loan Kshs17,477,375 advanced to NAWASSCOAL was disbursed in 3 tranches of Kshs4,621,945, Kshs8,855,430 and Kshs4,000,000 on 3rd November, 2018, 9th October, 2019 and 15th September, 2021 as per the loan agreements.</i></p> <p><i>NAWASSCOAL, a limited liability company was registered on 8th September, 2018 as a subsidiary of Nakuru Water and Sanitation Services Company Ltd (NAWASSCO). The mandate of NAWASSCOAL is to carry out research and produce faecal matter-based products. Before the registration of NAWASSCOAL, the business was being piloted by Vitens Evides International (VEI) under Nakuru County Sanitation Programme (NSCP) funded by EU who carried out research and identified viable products i.e briquettes.</i></p>	<p>MD &amp; Isaac Makori, Finance Manager</p>	<p>Not resolved</p>	<p>30<sup>th</sup> June, 2025</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
		<p><i>There was a delay by NAWASSCOAL to start repayment of the loans according to the agreements due to several challenges such as technological issues, low product demand, high production costs, and the Covid-19 pandemic effects.</i></p> <p><i>To tackle these challenges, NAWASSCOAL through the support of its development partners enlisted the services of a consultancy firm, to develop turnaround strategies aimed at enhancing production and sales, decreasing production costs, and restructuring the company.</i></p> <p><i>In addition NAWASSCOAL had requested to resume loan repayment, including the accumulated interests in the financial year 2023/2024 but the loan is still outstanding.</i></p> <p><i>The company has since provided the loan agreements (3No.) to the Auditor-General for review.</i></p> <p><b>Current status</b> <i>The loan is still outstanding</i></p>			
	<p>In addition, the receivables includes staff debtors amounting to Kshs.3,219,256 in respect of fuel lost through fraud during the period of September to November, 2020. Although disciplinary</p>	<p><i>The Company recorded a loss of fuel amounting to Kshs3,219,256 and the employees who were found culpable were dismissed from service pending Criminal Investigations and Judgement by the Court. The matter is still in court waiting a</i></p>	<p>MD &amp; Carditor Muchoki, Human Resource and Administration Manager</p>	<p>Not resolved</p>	<p>30<sup>th</sup> June, 2025</p>

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	<p>action had been taken against the involved officers, Management of the Company had not commenced recovery of the amount.</p> <p>This is contrary to Section 5.4 of the Nakuru Water and Sanitation Company Limited Finance Manual requires the Commercial Department to follow up and collect debts within the agreed/allowed credit period. The credit period will be determined by management from time to time and may be revised by the Managing Director and Board of Directors, as and when deemed necessary.</p> <p>In the circumstances, Management is in breach of the law.</p>	<p><i>As per the Company's Policy on the same, none of the persons found culpable has accessed their terminal benefits nor cleared by the Company to access their Pension Benefits until the conclusion of the matter.</i></p> <p><i>As part of the control measures, the company has put in place a fuel and fleet management which records the usage of fuel by each motor vehicle or cycle.</i></p> <p><i>Current status</i> <i>The matter is still in court and the amount has not been recovered</i></p>			
<p><b>3. Irregular Investment in Short Term Deposits</b></p>	<p>The statement of financial position and disclosed in Note 21 to the financial statements reflects short term deposit amounting to Kshs.50,000,000.</p> <p>Review of records revealed that the investment was made in one of the local banks at interest rates of 9.3%. This is contrary to National Treasury Circular Ref. DMD 4/02 'H'</p>	<p><i>The company had sort for quotations from 3 local banks (Co-operative Bank, National Bank and Kenya Commercial Bank). Only one bank, Co-operative Bank responded to the expression of interest at a rate of 10% p.a which after negotiation moved to 10.25% p.a</i></p> <p><i>The company has since provided the Auditor-General with letters which had been</i></p>	<p>Isaac Makori, Finance Manager</p>	<p>Not resolved</p>	<p>30<sup>th</sup> June, 2024</p>

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	<p>(63) of 26 March, 2018 which directed all State Corporations and SAGAs to invest surplus funds in Treasury Bills or Treasury Bonds directly through the Central Bank of Kenya. Further, the local bank was not competitively sourced contrary to Section 158 Public Procurement and Asset Disposal Act, 2015 which under Section states that procurement of goods, works and services shall be competitive.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p><i>sent to 3 local banks seeking quotation for review.</i></p> <p><i>The funds which were invested in a fixed deposit account relates to the customer account deposit which should be available for refund in case the customer wants to close an account. The company has not breached any law by investing the funds in short term fixed deposits and therefore this should not have been used as a basis for an opinion.</i></p> <p><i>The company has a written to the Regulator, WASREB seeking for their opinion on whether the customer accounts deposits held by water companies are surplus funds.</i></p>			
<p><b>4. Failure to Prepare Bank Reconciliation Statements</b></p>	<p>The statement of financial position reflects bank and cash balances totaling to Kshs.235,208,597. The amount includes Performance Guarantee bank account balance amounting to Kshs.7,396,378 as disclosed in Note 22 to the financial statements. However, bank reconciliation statements for the Performance Guarantee bank account were not prepared. This is contrary to Section 90(1) of Public Finance Management</p>	<p><i>During the audit review, the company had provided a bank reconciliation statement for this account.</i></p> <p><i>The company has since provided the reconciliation statement to the Auditor-General for review.</i></p>	<p>Isaac Makori, Finance</p>	<p>Not resolved</p>	<p>30<sup>th</sup> June, 2024</p>

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	<p>(County Governments) Regulations, 2015 which requires an Accounting Officer to ensure that monthly bank account reconciliations are prepared.</p> <p>In the circumstance, Management was in breach of law.</p>				
<p><b>5. Long Outstanding Debt to Central Rift Valley Water Works Development Agency</b></p>	<p>The statement of financial position reflects trade and other payables totaling to Kshs.508,869,225. The amount includes Kshs.275,796,820 due to Central Rift Water Works Development Agency (CRWWDA) which has accrued since the year 2013. Failure to pay the long outstanding payable is contrary to Section 94 (1) of the Public Finance Management Act, 2012 which states that a public entity is in serious material breach or persistent material breach of the measures established under Public Finance Management Act, 2012 if it fails to make any payments as and when due or default on financial obligations for financial reasons.</p>	<p><i>The remittance of the administrative fees to Central Rift Water Works Development Agency (CRVWWDA) was stopped due to instructions which the Company received from the County Government of Nakuru vide letter reference NCG/S/NWS/VOL.1/90 dated 2nd April, 2015.</i></p> <p><i>The letter from County Government was written to CRVWWDA and copied to the Company with instructions not to pay until further notice. The letter was tabled before the Board of Directors which has a representation of the County Government of Nakuru for adoption and the way forward. It was resolved that since it was the shareholder who gave the instructions, the Company did not have much to do except to wait for further instructions.</i></p> <p><b>Current Status</b>  <i>The Company is waiting for further communication from the County Government of Nakuru.</i></p>	<p>MD &amp; Isaac Makori, Finance Manager</p>	<p>Not resolved</p>	<p>30<sup>th</sup> June, 2024</p>

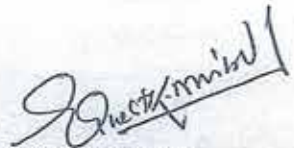
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	In the circumstance, Management is in breach of the law.				

Signed By:



**JAMES N. GACHATHI**  
**MANAGING DIRECTOR**



**ERNEST K. MUIBU**  
**CHAIRMAN OF THE BOARD**

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**Appendix II: Projects Implemented by the Company Projects**

Projects implemented by the Company Funded by development partners.

Project Name	Number of Projects	Project Funded by	Project Start Date	Project Budget (KSh)	Project Status	Project Completion Date
Re-location of Water and Sewerage Pipeline Network	1	Kenya National Highway authority	May 2021 –	642,546,934	Yes	Yes

**Status of Projects completion**

Project No.	Project Name	Project Budget (KSh)	Project Actual (KSh)	Project Completion %	Project Budget (KSh)	Project Actual (KSh)	Project Completion %	Project Funded by
1	Re-location of Water and Sewerage Pipeline Network	642,546,934	641,617,629	100%	642,546,934	641,617,629	100%	Kenya National Highway Authority

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**Appendix III- Inter-Entity Confirmation Letter**

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

**Appendix IV: Reporting Disaster Management Expenditure**

The company did not incur any cost on disaster management in the year under review since non-occurred.