

REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**NAKURU RURAL WATER AND  
SANITATION COMPANY LIMITED**

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



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**NAKURU RURAL WATER AND SANITATION COMPANY LIMITED**

**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 RURAL WATER AND SANITATION COMPANY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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**1. Acronyms and Glossary of Terms**

Provide Acronyms and glossary of terms that appear in this annual report and financial statements.

ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
MD	Managing Director
PFM	Public Financial Management
PSASB	Public Sector Accounting Standards Board
WASREB	Water Services Regulatory Board



## **2. Key Entity Information**

### **Background information**

Nakuru Rural Water and Sanitation Company (NARUWASCO) was incorporated under Companies Act, Cap 486 of the Laws of Kenya and is fully owned by the County Government of Nakuru responsible for provision of water and sanitation services within the rural parts of Nakuru County covering an approximate service area of 7,000 km<sup>2</sup>. The Company began operations in April 2007 and its core mandate is derived from section 78, 83 & 94 of the Water Act 2016.

NARUWASCO provides water and sewerage services to its customers and intends to provide advisory and technical assistance services in the future. The Company has 29,000 registered customers that includes, households, water kiosks, institutions, markets and the construction industry. NARUWASCO is governed by Board of Directors (BOD) through various committees and supported by a skilled Core Management Team (CMT), who oversee the day-to-day operations.

### **Principal Activities**

NARUWASCO provides water and sanitation services to its customers.

### **Vision and Mission Statements**

The corporate vision for NARUWASCO is:

**Potable Water and Dignified Sanitation in Every Household**

NARUWASCO's Mission is:

**To Provide Adequate Quality Water and Sanitation Services in an Economic and Environmentally Sustainable Manner to the Satisfaction of our Stakeholders**

### **Core Values**

Core values are principles that guide an organization in the pursuit of its mandate and development of the culture. It defines the conduct that employees should uphold. The following values abbreviated "**PIPES**" shall guide NARUWASCO's as it discharges services to customers.

<b>Core Value</b>	<b>Description</b>
<b>Professionalism</b>	Demonstrating high levels of competence and skills to achieve quality and efficiency.
<b>Integrity, Innovation &amp; Inclusivity</b>	Honesty in service delivery, continuous improvement of solutions & ensuring equal access to opportunities and resources
<b>Passion</b>	Devotion to serve
<b>Equity &amp; Environmental sustainability</b>	Being fair & caring for the environment
<b>Synergy</b>	Commitment to team work

### **Core business/mandate**

The Company's core mandate is derived from section 78, 83 & 94 of the Water Act 2016. In addition, the Company's objectives (as provided for in the Memorandum and Articles of Association) define the extent of the Company's core business.

Thus, NARUWASCO's core mandate is as follows:

- i. Provide water services within the area specified in the licence.
- ii. Develop county assets for water service provision.
- iii. Hold the county or national public water services assets on behalf of the public.
- iv. Develop investment plans for rural water service provision.

### **Directors**

The Directors who served the entity during the year/period were as follows:

1. Mr. Charles Njuru
2. Ms. Mary Mburu
3. Mr. Kipngetich Cherono
4. MS Margaret Kinyanjui
5. Mr. Joseph Malinda
6. Mr. James Muhia
7. Eng. Stephen Towett
8. FCPA. Reuben K Korir

### **Corporate Secretary**

CS Gikuhi Kiana,  
P. O. Box 1271,10100  
**Nyeri**

### **Registered Office**

P O Box 386-20100  
NARUWAS CO PLAZA  
Stanley Mathenge Road off Nakuru-Eldoret Highway  
**Nakuru, Kenya**

### **Corporate Headquarters**

P O Box 386-20100  
NARUWASCO PLAZA  
Stanley Mathenge Road off Nakuru-Eldoret Highway  
**Nakuru, Kenya**

### **Corporate Contacts**

Telephone: (254) 51 2 213 214, 721 344 898,  
E-mail: [info@naruwasco.co.ke](mailto:info@naruwasco.co.ke)  
Website: [www.naruwasco.co.ke](http://www.naruwasco.co.ke)

### **Corporate Bankers**

Kenya Commercial Bank  
P.O. Box 18-20100,  
**Nakuru, Kenya**

**Family Bank**

P. O. Box 4145-20100

**Nakuru, Kenya**

**Post Bank**

P.O. Box 4199-20100

**Nakuru, Kenya**

**National Bank**

P.O. Box 1013-20100

**Nakuru, Kenya**

**Cooperative Bank**

P.O. Box 2982

**Nakuru, Kenya**

**Independent Auditor**

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084-00100

**Nairobi, Kenya**

**Principal Legal Advisers**

The County Attorney,

County Government of Nakuru

P O Box 14797-20100





Nakuru County Commissioner's Office, Club Rd

**Nakuru, Kenya**







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**3. The Board of Directors**

	Name	Profile
	 <p align="center">Mr. Charles Njuru</p>	<p>DOB: 1958</p> <p>Charles Njuru has a wealth of experience in teaching and management having been a head teacher in various schools. He is an educationist.</p> <p>He represents Molo Sub- County at the Board and currently serves as the Chairman of the Board having previously served as the Chair of Finance and General-purpose committee.</p>
	 <p align="center">Ms. Mary Mburu</p>	<p>DOB: 1969</p> <p>Ms. Mary M Mburu has a wealth of experience in project management and banking. She serves the Board as the Chair of the Technical committee of the Board. She represents professionals at the Board</p>
	 <p align="center">Mr. Kipngetich Cherono</p>	<p>DOB: 1962</p> <p>Mr. Kipngetich Cherono has a wealth of experience in senior management. He works in Egerton University as an administrator.</p> <p>He currently serves the Board as the chair of the Finance and General-purpose committee. He represents Rongai Sub-county at the Board.</p>
	 <p align="center">Eng. Margaret Kinyanjui</p>	<p>DOB: 1984</p> <p>Executive Director</p> <p>Eng. Margaret Kinyanjui is an engineer by profession and currently serves as the chief officer Water and Sanitation at the County Government of Nakuru. She represents CEC water at the Board of NARUWASCO. She is a member of the finance and Technical Committees of the Board.</p>

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	Name	Profile
	 <p>Mr. Joseph Malinda</p>	<p>DOB:</p> <p>Executive director.</p> <p>Mr. Joseph Malinda is a lawyer by profession and currently serves as a Chief Officer Finance at the County Government of Nakuru. He represents CEC Finance and Economic Planning at the Board of NARUWASCO. He is a member of Audit and Risk Management committee of the Board.</p>
	 <p>Mr. James M Muhia</p>	<p>DOB:</p> <p>Mr. James M Muhia has a wealth of experience in teaching and management having been a teacher in various schools. He is an educationist.</p> <p>He represents the learning institutions at the Board and currently serves as the Chairman of the Board having previously served as the Chair of Audit, Risk management and Governance committee.</p>
	 <p>Eng. Stephen Towett</p>	<p>DOB:</p> <p>Eng. Stephen Towett is an engineer by profession with a wealth of experience in the sector having worked at Central Rift Water Works Development Agency</p>
	 <p>FCPA. Reuben K Korir</p>	<p>DOB: 1969.</p> <p>FCPA Reuben K Korir is an Accountant by profession, with a wealth of experience in the water sector having served in the sector from 1996 to date.</p> <p>He is currently the MD of Nakuru Rural Water and sanitation company limited.</p>





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**4. Key Management Team**

NAME	PROFILE
 <p>FCPA. Reuben K Korir (BCom, CPA, MBA)</p>	<p>Chief Executive Officer/Managing Director</p>
 <p>Eng. Florence Mungai</p>	<p>Technical Services Manager</p>
 <p>CPA. Benjamin M Maundu (BCom, CPA)</p>	<p>Commercial Manager</p>
 <p>Ms. Gladys Cheruiyot (BCOM)</p>	<p>Ag Human Resource and Administration Manager</p>



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 CPA Joseph Mundia (BCOM, CPA K)	Head of Finance
 Mary Njoroge (BCOM, CPA K)	Head of Internal Audit
 Elizabeth Langwech (BCOM)	Procurement Officer
 Gilbert Chelule (BSc,IT)	IT Systems Administrator

### **5. Chairman's Statement**

It is my pleasure to present the Annual Report and Financial Statements of Nakuru Rural Water and Sanitation Company Limited (NARUWASCO) for the year ended 30th June 2024. During the year, the company has continued to play its key role in providing water services within its area of jurisdiction as defined and mandated by the Water Act 2016 and the license from Water Services Regulatory Board (WASREB).

The new constitution recognizes access to water as a basic human right to all citizens. In this regard, the Board has put in place measures to ensure that the goal of increasing access to water and sanitation is attained. Accordingly, the company has continued to source and engage partner support, in implementing various programs/projects within its service area aimed at increasing access to water. Among our current main partners are, County Government of Nakuru, WSTF, WASREB, Vitens Evides International (VEI), GATSBY AFRICA, CRVWWDA).

During the year under review, our revenue performance increased from Kshs 341,780,190.00 to Kshs 366,420,035.50 compared to the previous year 2022/2023 income. This was majorly achieved through enhanced billing and revenue activities and focused NRW management/investments. In addition, the company successfully completed development of its new strategic plan for period 2023-2027.



Mr. James M Muhia  
**Chairman**  
Date: 24/12/2024

## 6. Report of the Managing Director

The financial year ended 30th June 2024 was the seventeenth year of the company's existence since its establishment in April 2007. During the year under review, below are the company financial highlights:

### Income:

Total income for the financial year 2023/2024 amounted to Kshs 379,131,814 against Kshs 324,529,078 for the previous year 2022/2023.

The increment resulted from:

- Intense inspections thus unearthing many illegal connections that were surcharged accordingly.
- Implementation of disconnection through the system where a customer is automatically penalized upon disconnection.
- Increased billing and revenue monitoring activities.
- Increased metering

### Current ratio:

2023/2024	2022/2023	2021/2022
0.70	0.55	0.53

Required-1:1

Target 2024/2025 - 1:1

**NB:** the current liabilities include an amount of Kshs 214,025,320.00 accruing to CRVWDA in relation to the operationalisation of the Water Act 2002 which has been repealed. An appeal for write-off has been initiated.

### Balance sheet:

2023/2024	2022/2023	2021/2022
Kshs 824,355,816	Kshs 737,443,178	Kshs 728,669,883

### Non-Revenue Water:

The company has continued reduction of NRW over time and closed the year with an NRW of 43%.

2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
58	55	54	49	45	43

Among the interventions made to reduce NRW are:

#### Physical losses-leaks & bursts.

- i. Intensive patrolling,
- ii. Leak detection-using flow meters,
- iii. Pressure management using PRV's & BPT
- iv. Minimal night flow measurements
- v. V. Quick Response to Bursts And leaks.
- vi. Use of quality materials/pipes and fittings e.g., HDPE
- vii. Use of GIS for mapping and reporting of leaks
- viii. Formation of zones & DMAs for easy monitoring



**Organizational improvement**

- i. Formation of NRW unit
- ii. Budget support on NRW activities

**Unauthorized consumption (illegal connections)**

- i. Community sensitization
- ii. Locating meter at a strategic position to minimize the risk of being tampered with
- iii. Punitive penalties to those involved in illegal activities.

**Metering inaccuracies, Tampering and Data handling errors.**

- i. Choice of meter selection and installation standards
- ii. Regular meter reading and generation of exceptional meter reading reports
- iii. Sealing of all customer meters.
- iv. Calibration of bulky meters using UFM
- v. V. Address Data Handling Errors in meter reading and billing system.

**New water Tariff:**

During the year under review, the company successfully completed the review of its water tariff. The tariff was gazetted in August 2023 for implementation. This shall aid the company in meeting most of its financial needs.

**Staff matters.**

**Capacity building of Staff-trainings**

To motivate and build capacity of our staff to be able to face new technological advances in the water sector, we continued training and development programs for staff through sponsorship to attend various courses related to their lines of duty. The total training expenditure for the financial year was Kshs 3,785,127.00.

**WASCO Games:**

The company during the year participated in WASCO games held in Narok competing in two disciplines namely, Pool Table and Darts.

**Corporate affairs:**

- i. Board evaluation:

During the year under review, the company trained board members and members undertake self-evaluation as prescribed in the corporate guidelines.

- ii. Stakeholders Conference/Meeting:

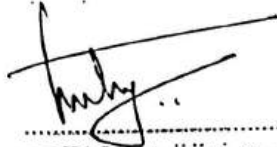
As a sector requirement, we held a successful stakeholder meeting with our customers and the public. The engagement was around disseminating information to the customers in addition to receiving complaints and compliments. Our stakeholders pledged to continue supporting the company as it endeavours to provide and expand services to unreached areas and customers.

**Benchmarking:**

Following our sustained improvement in performance, the company has become a benchmarking destination for other WSPs and institutions within the sector. During the period under review, we received/hosted several WSPs on benchmarking.

**Donors/Partners**

During the year, we continued implementation of the WWX project (a partnership program with the Netherlands) through VEI. This is a 15-year partnership with the Dutch government and its WSPs under a program called WaterworX, focusing majorly on capacity building and network extension to provide improved access to clean water and sanitation services to 10 million people by the year 2030.



.....  
FCPA Reuben K Korir  
**Managing Director**  
Date...24/12/2024....

## 7. Statement of Performance Against Predetermined Objectives for FY 2023/2024

NARUWASCO has 8 strategic objectives within the current Strategic Plan for the FY 2023 - FY 2022. These strategic objectives are as follows:

- i. Increase access to water and sanitation services.
- ii. Continuously implement financial management controls
- iii. Ensure financial sustainability.
- iv. Ensure efficient utility management, economic utilization of available water resources.
- v. Strengthen institutional capacity.
- vi. Leverage on ICTs and other technologies
- vii. Ensure adequate and competent human resources.
- viii. Promote high levels of employee performance.

NARUWASCO develops its annual work plans based on the above 8 strategic objectives. Assessment of the Board's performance against its annual work plan is done on an annual basis. The company achieved its performance targets set for the FY 2022/2023 period for its 8 strategic pillars, as indicated in the diagram below:

Strategic pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
Social Equity	Increase access to water and sanitation services	Number of Dormant accounts No. of funded proposals	Increase active accounts. Lobby and solicit for funding from governments and other partners.	Active connection marginally increased. Received funding from donors (VEI, WaterworX, GATSBY Africa)
Economic Efficiency	Continuously implement financial management controls	Working capital ratio Liquidity ratio Acid test ratio Cash ratio Debt ratio Asset coverage ratio Cost volume profit analysis	Adhere to budget and cost controls  Rationalize expenditure	Budget adhered to and any changes experienced during the year factored in the reviewed budget. Expenditure within the budget.
Economic Efficiency	Ensure financial sustainability	Amount collected Amount billed Total arrears	Improve on billing and collection	Billing and collections marginally increased



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Strategic pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
			Reduce arrears	compared to the last financial year
Economic Efficiency	Ensure efficient utility management, economic utilization of available water resources	<p>Metering ratio</p> <p>Number of inspections carried out per month</p> <p>Random checks on Account connections in all areas</p> <p>Unearthed illegal connections</p> <p>DMA's created</p> <p>Water balance-real losses</p> <p>Water balance-commercial losses</p> <p>Infrastructure rehabilitated</p> <p>Metering-Production meters</p> <p>Metering-DMA meters</p> <p>Data clean-up</p> <p>Certificates issued (For Inspections on Quality of pipes and fittings)</p> <p>Number of pressure zones</p> <p>Serviced and calibrated meters</p> <p>Response time to leaks and bursts</p>	<p>Increase the number of consumer meters installed</p> <p>Undertake monthly and quarterly audit and inspections in all regions</p> <p>Reduce of Non revenue water</p>	<p>Improved metering ratio targeting to 100%. Programs on inspections adhered to and reports submitted to the board of directors on quarterly basis.</p> <p>Non-revenue water gradually reducing.</p> <p>Illegal connections unearthed and culprits surcharged accordingly. Continued infrastructure renewal and new extensions to open new areas.</p> <p>DMA's continually done. Tickets acted upon immediately.</p>

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Strategic pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
Good governance	Strengthen institutional capacity	Staff computer/device ratio	Improve staff productivity	Capacity building continuously been d staff
		Number of staffs with basic IT proficiency Capacity of users to utilize ERP System Systems Up time	Maintain efficiency in service delivery	with sufficient allocation.
Economic efficiency	Leverage on ICTs and other technologies	Number of Automated production meters Number of Automated water kiosks Number of Customer self-service channels (Apps, USSD, Portal) Improved ERP modules IP phones installed in regions and Head Quarters.	Expand automation of operations and services Enhance customer service experience Upgrade existing systems Adopt new Relevant technologies	All water kiosks automated. Customers are able to communicate through various platforms. E.g. Bill query etc. ERP continually being upgraded to catch up with the emerging trends. All area offices automated.

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Strategic pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
Trained staff	Ensure adequate and competent human resources	Number of skills appraisals for staff and BOD Roles: Shadow employees Training efficiency index Training hours/employee % Of staff meeting or above target Staff Productivity (Number of staffs per 1000 connections)	Identify skills gaps for Staff and BODs  Implement training and development programmes	Staff and BOD appraised annually.  Continuous training through annual training plans.
Motivated Staff	Promote high levels of	Percentage of employees rewarded	Implement effective	HR tools for performance
	employee performance	Number of policies reviewed or implemented	performance management monitoring  Develop and implement an employee reward system. Provide a conducive and safe working environment	management in place. WASREB target on staff productivity achieved. Reward tool developed and approved. Policies governing company operations are in place and updated regularly



## 8. Corporate Governance Statement

The Board of Directors of the NARUWASCO has the responsibility of enhancing corporate governance practices to bring the level of governance in line with the best practice International Standards. The essence of good corporate governance practice is to protect and protect stakeholders' interests, among them are Nakuru County Government, CRVWWDA, WSTF, WASREB, WRA, development Partners, Communities, and consumers.

The Board of Directors exercise leadership, enterprise, integrity, and judgment in directing the company and acts in its best interest in a transparent, accountable, and responsible way. All the board of directors have been trained on corporate governance and have signed the code of conduct as prescribed by the regulator (WASREB).

To ensure the efficient running of the Board's operations, the company has established three standing Committees which meet and make recommendations to the full Board on issues delegated to them. Each committee of the Board has a charter clearly stating their roles. During the year under review the company had the following Board Committees in place.

- i. Finance and General Purposes Committee,
- ii. Technical Committee,
- iii. Audit, Governance and Risk Management Committee.

To ensure that the board expenses are within the approved budget for 2023/2024 financial year and regulatory levels, a calendar of the Board meetings was developed and adhered to.

The Board of Directors are paid sitting allowance for every meeting attended as well as accommodation allowance while on Board duty as per Government and regulatory guidelines. The Chairman is paid a monthly honorarium.

## **9. Management Discussion and Analysis**

### **NARUWASCO's Operational Framework**

The Ministry of Water & Irrigation is responsible for policy formulation to create an enabling environment for efficient operation and growth of the water sector. It sets the strategic direction and provides a long-term vision for all institutions in the sector. Water services is a devolved function hence the county government has a major stake in the company. The power of monitoring and inspection is performed by the county government.

The company's broad mandate is provided for by the Water Act 2016 sections 78, 83 & 94 thus:

- i. provision of water services within the area specified in the license,
- ii. development of county assets for water service provision, and
- iii. to hold the County or National public water services assets on behalf of the public,
- iv. Support the county government in planning and developing measures for the provision of water services to rural areas which are considered not commercially viable for the provision of water services.

To fulfil her mandate, NARUWASCO works closely in partnership with other institutions in the sector. Some of the institutions that partner with NARUWASCO in the water sector include Water Services Regulatory Board (WASREB) that exercises national regulatory powers, Water Resource Authority (WRA) which has the authority to manage the catchment areas and sources of water, Water Sector Trust Fund (WSTF) mobilizes grants and cheap finances for the water companies mainly on pro-poor areas, Water Appeals Board (WAB) with mandate of dispute resolution relating to water issues.

### **Company Governance and Management Structure**

The company is governed by a Board of Directors comprising various stakeholders among Constituency/sub-county representatives and the County Government (shareholder). The Board has two roles: oversight, strategy, and policy direction roles on management of NARUWASCO. The top management of NARUWASCO is led by the Managing Director (MD) and supported by senior managers heading specific functions.



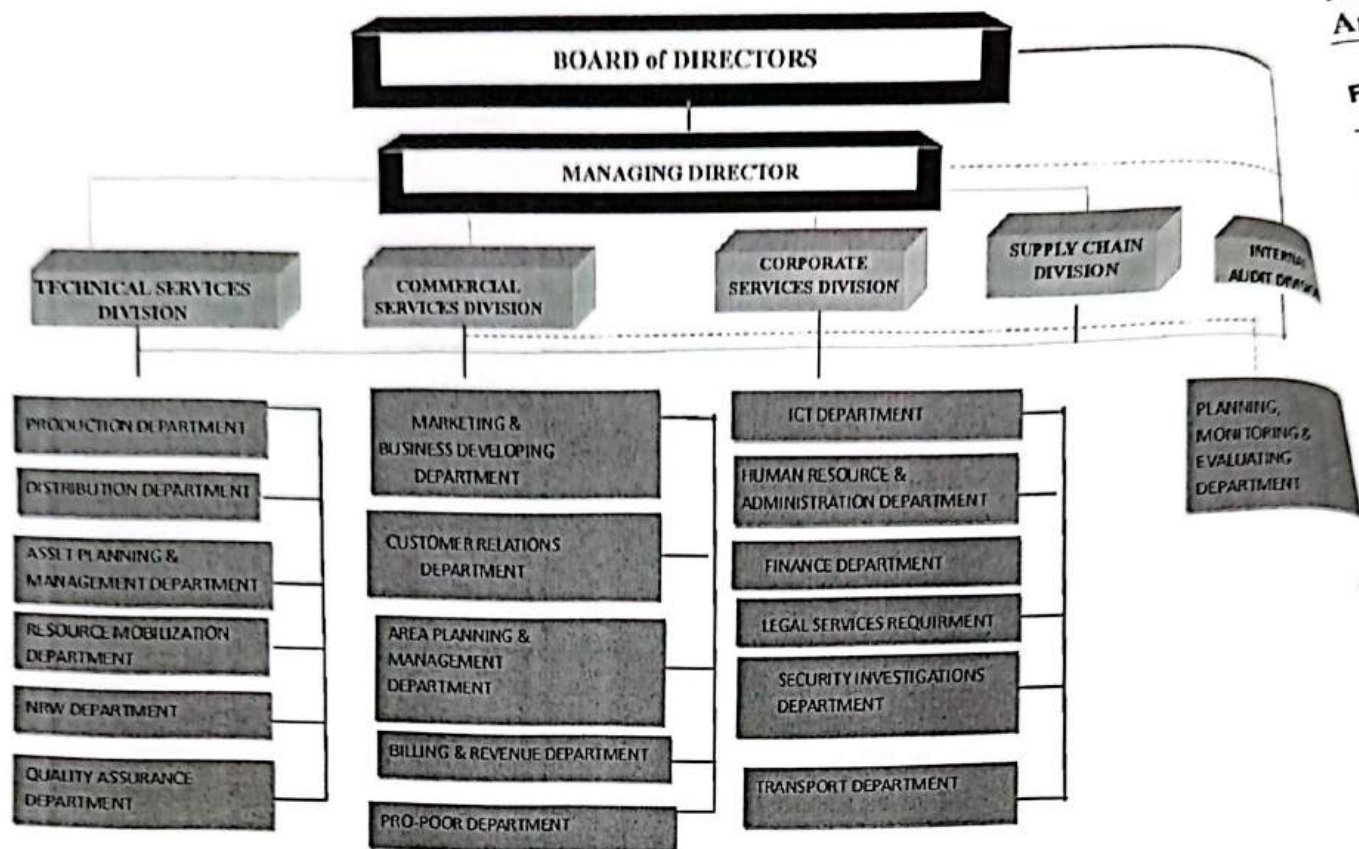


Figure: Company Organisation Structure.

### Financial strategy

Our financial strategy is to be able to generate sufficient revenues to meet company operational and developmental requirements. Partnership with donors to enable the company to solicit for grants/finances to enable financing for long term sustenance of the infrastructure is also key.

### Compliance with statutory requirements

The organization's financial statements have been prepared in accordance with the provisions of the PFM Act and have also complied to public sector accounting standards of Kenya and the approved IFRS templates.

The company is a going concern and have no ongoing or potential court cases that may expose to potential contingent liabilities.

### Major Risks Facing the entity

There is no major risk facing the entity during the financial year. The improved revenue is an indicator that the going concern is not doubtful.

### Material arrears in statutory deductions

The main debt in statutory deductions is the pension where there is an agreement between the two parties on how to settle the same. The agreement has henceforth been honoured.



**Financial and governance issues**

There is no major financial improbity reported by the internal audit, the audit and risk management committee, or any other oversight body during the financial year. Additionally, NARUWASCO does not have any governance issue among the board of directors or the corporate management team.

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**Report on operational and financial performance for the last five years**

Below is the operational and financial performance as per Water Services Regulatory Board (WASREB) Sector Report for 2021/2022

WASREB released its Impact 16 report for the period 2022/2023. There was a notable improvement by the company in all the Key Performance Indicators (KPIs). Overall, the company retained position 18 out of 88 water companies in Kenya.

Indicator	Progress on Sector KPIs' overtime				
	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Water Coverage (%)	62	71	75	83	68
Drinking Water Quality (%)	95	99	93	93	94
Hours of Supply (hrs/day)	1	19	18	18	20
Non-Revenue Water (%)	5	55	54	49	45
Metering Ratio (%)	60	71	86	91	93
Staff Productivity (Staff per 1000Connections)	10	8	6	5	8
Personnel expenditures % of O+M Costs (%)	40	52	53	50	47
Revenue Collection Efficiency (%)	9	98	10	97	10
O+M Cost Coverage (%)	10	10	11	10	99
Governance (%)	60	73	78	-	-
Pro-Poor (%)	-	64	62	63	54
Credit Worthiness Index	-	B	B	B	B
Overall WASREB Ranking (Outof88)	42	25	25	18	38

Reference-WASREB Impact Reports 12, 13, 14, 15, 16.

## **10. Environmental and Sustainability Reporting**

NARUWASCO exists to transform lives through provision of portable water to its customers across the defined service area. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering portable water and improving operational excellence for efficiency and effectiveness. Below is an outline of the organisation's policies and activities that promote sustainability.

### **i) Sustainability strategy and profile-**

Management has put in place measures to ensure sustainability of our service provision that meets the highest standards. The company top management has the capacity to take the company to the next level of excellence both financially and operationally. The company has aligned its operations and strategies to the county and national water strategies.

### **ii) Environmental performance**

The company is actively involved in environmental protection activities, we have an annual tree planting event in our calendar. The event involves engaging partners in environmental conservation activities aimed at reversing climate change trends. During the period under review, the company held a tree planting event at Nguso springs.

### **iii) Employee welfare**

Human capital is the key factor in provision of the company services hence the company is keen on employee welfare and that it has passed several policies towards ensuring employees welfare is attended to. During the period under review, among others the company approved a staff welfare fund policy to cushion staff during medical emergencies and bereavement.

The company has ensured compliance to relevant laws on gender ration (NGEC act) and safety at workplace (OSHA). In addition, the company has in place Human resource management tools and manuals that guides promotions, reward systems, and appraisal.

### **iv) Market place practices-**

#### **a) Responsible competition practice.**

Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors. The company has a fraud and anti-corruption policy in place.

#### **b) Responsible Supply chain and supplier relations**

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

#### **c) Responsible marketing and advertisement**

Outline efforts to maintain ethical marketing practices.

#### **d) Product stewardship**

The company is regulated by WASREB and one of the key performance indicators (KPIs) is on customer relations and service hours. Accordingly, the company strives to better its service provision always.

Corporate social responsibility/community engagements

During the year under review, the company engaged in several CSR activities to impact positively on the society. Among the activities was participation in the tree planting activities



**NAKURU RURAL WATER AND SANITATION COMPANY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**11. Report of the Directors**

The Directors submit their report together with the audited financial statements for year ended June 30, 2024, which show the state of the NARUWASCO affairs.

**i) Principal activities**

During the year under review, the company continued with its core mandate of water and sanitation services provision.

**ii) Results**

During the year under review, the company realised total income of Kshs 379,131,814 against Kshs 345,438,002 for the previous year 2022/2023, this shows an increase.

**iii) Dividends**

As provided for in the Water Act 2016, no dividends shall be paid by a WSP until universal coverage is met.

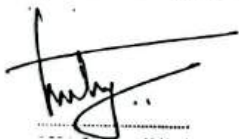
**iv) Directors**

The members of the Board of Directors who served during the year are shown on page VI and VII in accordance with Regulation of the company's Articles of Association.

**v) Auditors**

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

By Order of the Board



**Name Reuben K Korir**

**Company Secretary/Secretary to the Board**

**Date: 24/12/2024**

# REPUBLIC OF KENYA



*Enhancing Accountability*

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

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

## **REPORT OF THE AUDITOR-GENERAL ON NAKURU RURAL WATER AND SANITATION 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 Rural Water and Sanitation Company Limited set out on pages 1 to 59, which comprise of the statement



of financial position as at 30 June, 2024 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 2 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 Rural Water and Sanitation Company Limited 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, Water Act, 2016 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Unsupported Transport and Operating Expenses**

The statement of profit or loss and other comprehensive income reflects administrative costs amounting to Kshs.54,862,067 as disclosed in Note 10 to the financial statements. The amount includes transport and operating expenses amounting to Kshs.12,464,343 which were incurred on fuel and repair of motor vehicles. However, the expenditure was not supported with contract agreements, fuel registers, supplier/card statements, details of motor vehicles drawing fuel or repaired, pre and post inspection reports to confirm repairs carried out and registers of repairs per motor vehicle.

In the circumstances, the accuracy, completeness and propriety of transport and operating expenses totalling Kshs.12,464,343 could not be confirmed.

#### **2. Unsupported Inventories**

The statement of financial position reflects inventories balance of Kshs.1,920,027 as disclosed in Note 28 to the financial statements. However, the balance was not supported by inventories valuation report showing stock descriptions, system stock balances, actual stock balances, unit costs, total costs, grand inventories balance and ledger cards reconciled with physical stock take sheets.

In the circumstances, the accuracy and completeness of the inventories balance of Kshs.1,920,027 could not be confirmed.

#### **3. Long Outstanding Receivables**

The statement of financial position reflects receivables balance of Kshs.221,215,627 incorrectly referenced to Note 29 to the financial statements instead of Note 30 which relates to trade receivables and includes an amount of Kshs.186,936,421 in respect of other trade receivables. However, the ageing analysis report provided for audit review



reflects an amount of Kshs.188,510,618 resulting into an unexplained variance of Kshs.1,574,197.

Further, included in the trade receivables balance of Kshs.221,215,627 is a balance of Kshs.161,044,993 or 73% that was outstanding for over one hundred and twenty (120) days. In addition, the balance includes an amount of Kshs.4,605,749 in respect of Kenya Revenue Authority (KRA) VAT refund that had been outstanding since the year 2018.

Management did not provide evidence of follow up on the outstanding debtors including the VAT refund due from KRA, casting doubt on the ability of the Company to recover all the outstanding debts. There was no approved debt policy or a provision for bad and doubtful debts.

In the circumstances, the accuracy, completeness, propriety and recoverability of the receivables balance of Kshs.221,215,626.91 could not be confirmed.

#### **4. Unsupported and Inaccurate Cash and Bank Balances**

The statement of financial position reflects bank and cash balances amounting to Kshs.100,702,705 as disclosed in Note 34 to the financial statements. However, review of records revealed that the account opening authority and certificates of bank balances for three (3) accounts held at National Bank of Kenya and the Board of Survey reports for all the thirteen (13) bank accounts held by the Company were not provided for audit verification. In addition, a balance of Kshs.11,479 held in an account maintained by the Company was not included in the bank and cash balance.

Further, stale cheques totalling Kshs.74,495 in respect to Kenya commercial Bank operations account had not been reversed in the cash book as at 30 June, 2024 with the cashbook for the same account having been overdrawn by an amount of Kshs.8,287,946 hence casting doubt on the liquidity of the Company.

In the circumstances, the accuracy, completeness and existence of the bank balance of Kshs.100,702,704.63 could not be confirmed.

#### **5. Unsupported Balance of Customer Deposits**

The statement of financial position reflects consumer deposits balance of Kshs.47,023,602 as disclosed in Note 37 to the financial statements. However, a comprehensive ledger of the customers, showing detail of the meter numbers and receipt numbers for the amount paid by the respective customers has not been provided for audit verification.

In the circumstances, the accuracy and completeness of the customer deposits balance of Kshs.47,023,602 could not be confirmed.

#### **6. Long Outstanding Trades Payables**

The statement of financial position reflects trade and other payables balance of Kshs.419,872,873 as disclosed in Note 36 to the financial statements. The balance includes an amount of Kshs.33,424,543 in respect of trade payables which further



includes a balance of Kshs.16,054,158 or 48% which remained outstanding for over (60) days. There was no explanation for failure to settle the payables.

In the circumstances, the validity of long outstanding trade payables could not be confirmed.

#### **7. Unsupported and Long Outstanding Rift Valley Water Works Development Agency Levy**

Included in the trade and other payables balance of Kshs.419,872,873 is an amount of Kshs.214,025,320 owed to Central Rift Valley Water Works Development Agency (CRWDA). However, as previously reported, no payments have been made for a number of years and remained unchanged from the previous year's balance. Further, the amount of Kshs.214,025,320 has not been disclosed in the Agency's books as receivable from the Company.

In the circumstances, the accuracy and validity of the payable to CRWDA amounting to Kshs.214,025,320 could not be confirmed.

#### **8. Undisclosed payables to Kenya Power and Lighting Company (KPLC)**

The statement of financial position reflects trade and other payables balance of Kshs.419,872,873 as disclosed in Note 36 the financial statements. However, review of KPLC electricity bills provided for audit revealed that power bills payable to KPLC amounting to Kshs.3,354,425 were excluded from the balance.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.419,872,873 could not be confirmed.

#### **9. Inaccuracies in the Staff Costs**

The statement of profit or loss and other comprehensive income reflects staff costs amounting to Kshs.167,726,229, as disclosed in Note 11 to the financial statements. However, the supporting ledger reflects an amount of Kshs.165,843,437 resulting to unexplained variance of Kshs.1,882,792.

In the circumstances, the accuracy and completeness of the staff costs amounting to Kshs.167,726,229 could not be confirmed.

#### **10. Unsupported and Inaccurate Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment net book value of Kshs.485,106,248 as disclosed in Note 26(a) to the financial statements. Review of records revealed the following anomalies;

##### **10.1 Lack of Up-to-date the Non-Current Asset Register**

The PPE balance was not supported by accurate and up-to-date assets register to confirm the assets acquisition, maintenance, and disposal.



## **10.2 Undisclosed Value of Land**

The balance excludes value of land on which the Company offices are located. In addition, ownership documents in respect to the land was not provided for audit verification. Further, during the year under review, Company acquired land with a value of Kshs.1,350,000 which was wrongly reported as additions of buildings.

## **10.3 Lack Ownership Documents for Motor Vehicles and Motor Cycles**

The balance includes an amount of Kshs.1,642,562 in respect of motor cycles/vehicles. However, several motor vehicles and motor cycles in use by the Company had logbooks which were not registered in the name of the Company.

## **10.4 Inaccuracy in the Office Equipment Balance**

The balance includes a negative net book value of Kshs.409,201 in respect of office equipment comprising of the cost of Kshs.10,721,580 and accumulated depreciation amount of Kshs.11,130,781. However, It is not clear how Management arrived at a depreciation amount higher than the original cost of the office equipment.

## **10.5 Unsupported Working in Progress**

The property, plant and equipment balance includes work in progress balance of Kshs.319,275,847 which further includes additions during the year amounting to Kshs.25,142,462. However, the supporting documents such as; list of tenders, quotations awarded during the year, bills of quantities, joint measurements, inspection and acceptances reports and interim certificates were not provided for audit verification.

## **10.6 Failure to Revalue Fully Depreciated Assets**

The balance includes fully depreciated assets with acquisition cost of Kshs.32,561,405 which are still in use by the Company but have not been revalued.

In the circumstances, the accuracy, completeness ownership and valuation of the property, plant and equipment balance of Kshs.485,106,248 could not be confirmed.

## **11. Unsupported Repayment AFDB Loan**

The statement of profit or loss and other comprehensive income and as disclosed in Note 24 to the financial statements reflects African Development Bank (AfDB) loan repayment amounting to Kshs.7,085,934 in respect to loan disbursed to Rift Valley Water Services Board for development of various infrastructure. However, no supporting documents to confirm the involvement of Naruwasco in acquisition and repayment of the loan was provided for audit review. In addition, no infrastructure project undertaken by the Board has been handed over to the Water Company.

In the circumstances, the accuracy, completeness and validity of the AFDB Loan repayment amounting to Kshs.7,085,934 could not be confirmed.



## **12. Material Uncertainty Related to Going Concern**

The statement of financial position reflects current assets totalling Kshs.333,151,600 against current liabilities totalling Kshs.479,122,096 resulting to negative working capital of Kshs.145,970,488. The negative liquidity position was an indication of the existence of a material uncertainty on the Company's ability to continue as a going concern. Further, the statement of profit or loss and other comprehensive income reflects a loss of Kshs.38,418,876 for the year under review while in the previous year the Company made a loss of Kshs.41,950,880.

The financial statements, however, were prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the County Government of Nakuru and its creditors. Management did not disclose the material uncertainty related to going concern or measures taken to mitigate this.

In the circumstances, the sustainability of the Company could not be confirmed.

### **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.454,909,562 and Kshs.439,935,847 respectively an under collection of Kshs.14,973,715 or 3% of the budget. The Company spent an amount of Kshs.381,593,891 against the actual receipts of Kshs.439,935,847 resulting in an under-utilization of Kshs.58,341,956 or 13% of the actual receipts.

The under-performance and under-utilization may have negatively impacted on the planned activities of the Company which affected 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 communicate in my report.

### **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 Public Resources. However, Management has not explained how the issues were addressed or resolved or disclosed the progress on follow up on prior year auditor's recommendations as an Annex to the financial statements as required by the recommended reporting template.



## **Other Information**

### **Conclusion**

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

In connection with my audit on 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. Non-Remittance Salaries Statutory Deductions and Other Deductions**

The statement of financial position and as disclosed in Note 36 to the financial statements reflected trade and other payable balances of 419,872,873. Included in the balance are amounts of Kshs.52,839,783 and Kshs.34,376,494 in respect to salaries statutory and other deductions and pensions deductions respectively which were deducted from employees of the Company but had not been remitted to the various beneficiary institutions. This is contrary to Regulation 22(2) of the Public Finance Management (County Governments) Regulations, 2015, which provides that in addition to the responsibilities of Accounting Officers provided in the Act, an Accounting Officer designated under the Act or any other Act, shall - (a) comply with any tax, levy, duty, pension, commitments as may be provided for by legislation.



In the circumstances, the non-remittance of salaries and pension deductions may attract penalties and interest from the receiving institutions and deny the staff Company respective services and benefits.

## **2. Failure to Remit Regulatory Fees**

Included in the trade and other payables balance of Kshs.419,872,873 are amounts of unpaid regulatory fees to Water Resources Authority and Water Services Regulatory Board of Kshs.18,149,560 and Kshs.51,832,131 respectively. However, review of records revealed that the amounts have accumulated over the years and no explanation was provided for non-payment of the levies.

In the circumstances, the Company risks legal suits which may lead to avoidable additional costs due to litigations, fine, penalties and interest.

## **3. Non-Revenue Water**

The statement of profit or loss and other comprehensive income reflects operating revenue amount of Kshs.365,124,557 which as disclosed in Note 6 to the financial statements related to water sales. However, review of the water records revealed that the Company produced 7,482,850 cubic meters (M<sup>3</sup>) of water out of which only 4,234,030 cubic meters (M<sup>3</sup>) were billed to customers resulting to unbilled water or Non-Revenue Water (NRW) of 3,248,820 M<sup>3</sup> or 43% of the produced water. This exceeded the set threshold of 25% as recommended by the Water Services Regulatory Board (WASREB) Guidelines by 18%. In addition, the Non-Revenue Water amounting to 3,248,820 cubic meters (M<sup>3</sup>) resulted in loss of sales amounting to Kshs.280,164,279.

Further, 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.

In the circumstances, the significant level of Non-Revenue Water may be an indication of inefficiency and ineffectiveness in the use of public and water resources, which may negatively impact on the Company's profitability and its ability to sustain services.

## **4. Long Outstanding Audit Fees Arrears**

The statement of financial position reflects a balance of Kshs.3,086,000 in respect of accruals (provision of audit fees), which as disclosed in Note 39 to the financial statements relates to audit fees payable to the Office of the Auditor-General. However, the audit fees have not been paid to the Office of the Auditor-General since the year 2007. This is contrary to Section 41(1)(c) of the Public Audit Act, 2015 which states that the funds of the office of the Auditor-General shall consist of audit fees charged at the rates prescribed by the Auditor-General.

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



## **5. Irregular Payment of Acting Allowances**

The staff costs amount of Kshs.167,726,229 includes expenditure totalling Kshs.133,125 paid to staff in respect to acting allowances. However, review of records revealed that two (2) staff members had their acting allowances overpaid by an amount of Kshs.26,622, being twenty five percent (25%) of their basic pay. This is contrary to the provisions of Section 6.11.1 of the Nakuru Rural Water and Sanitation Company Limited Human Resource Policy and Procedures Manual, August 2023 which prescribes acting allowance to be twenty percent (20%) of the basic pay.

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

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 effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **1. Lack of Disaster Recovery Plan or Business Continuity Plan**

During the year under review, the Company did not have a disaster recovery plan or business continuity plan which outlines how it will continue operating during an unplanned disruption in service. In addition, Management has not instituted its own policies and procedures to guide key financial processes and controls for the management of personnel and related expenditure.

In the circumstances, the Company may be exposed in case of a disaster.

#### **2. Failure to Establish Audit Committee**

During the year under review, the Company did not establish an audit committee responsible for monitoring the Company's governance process, accountability process and control system of the entity and follow up on the implementation of the



recommendations of internal and external audit. This was contrary to Regulation 14 of the Public Finance Management Act, 2012.

In the circumstances, the effectiveness of controls in respect to risk management, internal controls and governance process in the Company could not be ascertained.

### **3. Lack of a Climate Change Action Plan**

Review of records provided for audit review revealed that the Company did not have an Integrated Climate Change Action Plan and other implementation projections for the Company's legislative and policy functions. In addition, the Company did not designate a unit with sufficient staff and financial resources to coordinate the mainstreaming of the climate change action plan and other climate change statutory functions into sectoral strategies. Further, there are no monitoring and review mechanisms, no sustainability mechanisms, and the Company did not undertake public participation and consultations to develop strategies and policies relating to climate change.

In the circumstances, the efficiency and effectiveness of controls in respect to climate change programmes could not be confirmed.

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

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required by the Kenyan Companies Act, 2015, I report based on the 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 Meru Water and Sewerage Services Registered Trustees, so far as appears from the examination of those records; and,
- iii. The Nakuru Rural Water and Sanitation Company Limited's financial statements are in agreement with the accounting records and returns.

### **Responsibilities of 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 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 Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-general/responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

31 December, 2024

**NAKURU RURAL WATER AND SANITATION COMPANY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**14. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2024.**

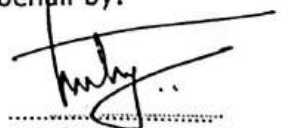
<b>Income</b>			
	<b>Notes</b>	<b>2023-2024</b>	<b>2022-2023</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>Revenue</b>	6	365,124,557	303,760,293
Other incomes:	7	11,427,939	20,768,785
Grant Income	8	2,579,318	-
Billing adjustments		-	-
<b>Total revenue</b>		<b>379,131,814</b>	<b>324,529,078</b>
<b>Operating Expenses</b>			
Production cost	9	86,487,923	69,989,483
Administrative costs	10	54,862,067	46,608,263
Staff costs	11	167,726,229	155,655,344
Bank Charges	12	615,947	454,026
Contracted professional services	13	13,017,761	12,551,639
Hire of Transport, Plant & Machinery	14	2,259,790	861,600
Training Expenses	15	3,785,127	3,819,580
Regulatory fee	16	14,822,833	13,472,961
Water Users/Permit fees	17	3,741,425	3,725,852
Honoraria	18	780,000	780,000
Repairs & Maintenance	19	7,268,005	5,985,800
Board Expenses	20	4,715,100	5,489,300
Depreciation	21	44,644,460	33,642,265
Amortisation	22	5,390,090	5,390,090
Audit fees	22	348,000	348,000
AFDB LOAN	24	7,085,934	7,085,934
Provision for bad debts	25	-	619,820
<b>Total Expenses</b>		<b>417,550,690</b>	<b>366,479,957</b>
<b>Surplus (Deficit)</b>		<b>- 38,418,876</b>	<b>- 41,950,880</b>

**NAKURU RURAL WATER AND SANITATION COMPANY LIMITED**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

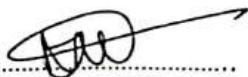
**1. Statement of Financial Position As at 30 June 2024**

<b>Assets</b>	<b>Notes</b>	<b>2023-2024</b>	<b>2022-2023</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>Non-Current assets</b>			
Property Plant & Equipment	26b	485,106,248	482,278,297
Intangible assets	27	6,097,961	11,488,051
<b>Total Non-current assets</b>		<b>491,204,208</b>	<b>493,766,347</b>
<b>Current Assets</b>			
Inventories	28	1,920,027	1,873,186
Receivables	29	221,215,627	189,127,557
Deposits (Electricity)	30	4,707,500	4,707,500
Bank and Cash balances	34	100,702,705	43,362,839
KRA VAT Refund	32	4,605,749	4,605,749
<b>Current assets</b>		<b>333,151,608</b>	<b>243,676,831</b>
<b>Total Assets</b>		<b>824,355,816</b>	<b>737,443,179</b>
<b>Equities and Liabilities</b>			
<b>Capital and Reserves</b>			
Share capital	34(a)	500,000	500,000
Capital Reserve	34(b)	228,709,738	228,709,738
Revenue Reserve	34(c)	- 460,238,420	- 421,819,545
Grants	35	576,262,403	494,475,811
<b>Capital &amp; Reserves</b>		<b>345,233,721</b>	<b>301,866,004</b>
<b>Current Liabilities</b>			
Trade and other Payables	36	419,872,873	381,033,262
Consumer Deposits	37	47,023,602	42,999,093
Prepayment income	38	9,139,621	9,106,820
Accruals (provision for Audit fees)	39	3,086,000	2,438,000
<b>Total Current Liabilities</b>		<b>479,122,096</b>	<b>435,577,175</b>
<b>Total Liabilities</b>		<b>824,355,817</b>	<b>737,443,179</b>

The financial statements were approved by the Board on 24/12/2024 and signed on its behalf by:



**Name Reuben K Korir**  
**Managing Director**



**Name Njoroge Joseph**  
**Head of Finance**  
**ICPAK M/No:24445**



**Name Mungai Muhia**  
**Chairman of the Board**



**NAKURU RURAL WATER AND SANITATION COMPANY LIMITED**  
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**2. Statement of Changes in Equity for the Year Ended 30 June 2024**

	Share	Capital	Revenue	WSTF	Totals
	Capita l	Reserve	Reserve	Grant	
<b>As at 1 July 2023</b>	<b>500,000</b>	<b>228,709,738</b>	<b>- 421,819,545</b>	<b>494,475,811</b>	<b>301,866,004</b>
Surplus (Deficit) for the year			- 38,418,876		- 38,418,876
Grants -Water WORX/WSTF				81,786,592	81,786,592
Grant amortisations					-
<b>As of 30<sup>th</sup> June 2024,</b>	<b>500,000</b>	<b>228,709,738</b>	<b>- 460,238,421</b>	<b>576,262,403</b>	<b>345,233,720</b>

**NAKURU RURAL WATER AND SANITATION COMPANY LIMITED**  
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**3. Statement of Cash Flows for The Year Ended 30 June 2024**

	Notes	2023-2024	Actual Audited Prior year
Cash Flows from Operating Activities		Kshs	Kshs
Operating profit/(loss)		-	-
		38,418,876	41,950,879
Depreciation	21	44,644,460	33,642,265
Amortization	22	5,390,090	5,390,090
<b>Operating profit/(loss) before working capital changes</b>		<b>11,615,674</b>	<b>-</b>
<b>Working capital changes</b>			
(Increase)/decrease in inventories		-	-
		46,842	739,573
(Increase)/decrease in trade and other receivables		-	-
		32,088,070	8,468,342
Increase/(decrease) in trade and other payables		-	-
		38,839,611	22,769,228
(Increase)/decrease in prepayments		-	-
(Increase)/decrease in electricity deposits		-	-
		-	8,500
Increase/(decrease) in consumer deposits		4,024,509	4,440,450
Increase/decrease in VAT refunds		-	-
Increase/(decrease) in prepayment income		32,801	276,071
Increase/(decrease) in accruals		648,000	-
			300,000
<b>Net Cash flows from Operating Activities</b>		<b>23,025,684</b>	<b>-</b>
<b>Cash flows from investing activities</b>			
Fixed assets acquired		-	-
		47,472,411	43,568,777
Intangible assets acquired		-	-
		-	-
<b>Net Cash flows from investing activities</b>		<b>-</b>	<b>-</b>
		47,472,411	43,568,777
<b>Cash flows from financing activities</b>			
Adjustment on revenue reserve			20,908,924
Receipts from KeNHA			25,000,000



**NAKURU RURAL WATER AND SANITATION COMPANY LIMITED**  
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Receipt from WSTF/VEI		20,671,899	12,559,534
Receipt from GATSBY			3,500,000
Receipt from CLSG 11		61,114,693	
<b>Net Cash flows from financing activities</b>		<b>81,786,592</b>	<b>61,968,458</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>57,339,865</b>	<b>6,327,864</b>
<b>Cash and cash equivalent at the beginning of the year</b>		<b>43,362,839</b>	<b>37,034,974</b>
<b>Cash and cash equivalent at the end of the year</b>		<b>100,702,704</b>	<b>43,362,839</b>

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**4. Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2024**

ITEM DESCRIPTION	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET 2023/2024	ACTUAL PERFORMANCE	VARIANCE	%
<b>Income:</b>						
Water sale	348,000,000	21,000,000	369,000,000	365,125,655	-3,874,345	-1
Molo Sewer Charges	1,200,000	-200,000	1,000,000	1,078,580	78,580	8
New Connections	6,000,000	-1,000,000	5,000,000	3,085,500	-1,914,500	-38
Penalties, Reconnections & Other Charges	13,000,000	-1,000,000	12,000,000	7,240,758	-4,759,242	-40
Water Tankers	500,000	-500,000	-	-	-	
<b>Sub total</b>	<b>368,700,000</b>	<b>18,300,000</b>	<b>387,000,000</b>	<b>376,530,493</b>	<b>-10,469,508</b>	<b>-3</b>
<b>CLSG 2</b>	<b>122,229,200</b>	<b>-61,114,600</b>	<b>61,114,600</b>	<b>61,114,693</b>	<b>-93</b>	<b>-0</b>
<b>Western NRW Project (VEI)</b>	<b>2,960,000</b>	<b>-</b>	<b>2,960,000</b>	<b>2,290,661</b>	<b>669,339</b>	<b>23</b>
<b>WSTF-UPC 8 Project</b>		<b>3,834,962</b>	<b>3,834,962</b>	<b>3,834,962</b>	<b>-</b>	<b>-</b>
<b>Grand total</b>	<b>493,889,200</b>	<b>-38,979,639</b>	<b>454,909,562</b>	<b>439,935,847</b>	<b>14,973,715</b>	<b>3</b>
<b>Expenditure:</b>		-				
Personnel Emoluments		-				
Basic salaries	74,339,909	-8,045,249	66,294,660	65,898,906	395,754	1
House allowances	38,439,615	-4,856,891	33,582,724	35,023,024	-1,440,300	-4
Commuter Allowances	10,316,600	-2,708,000	7,608,600	9,014,400	-1,405,800	-18
Pension (NWCP & NSSF)	9,809,109	-680,019	9,129,090	9,471,662	-342,572	-4
Acting/ Responsibility allowance	200,000	-50,000	150,000	118,772	31,228	21
Medical Allowances	11,198,000	-2,408,000	8,790,000	8,250,000	540,000	6
Hazard allowances	1,892,900	-	1,892,900	1,534,000	358,900	19
Leave Allowances	3,097,496	-	3,097,496	3,349,150	-251,654	-8
Transfer Allowances	200,000	-	200,000	110,500	89,500	45



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ITEM DESCRIPTION	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET 2023/2024	ACTUAL PERFORMANCE	VARIANCE	%
Gratuity	3,641,397	-907,317	2,734,080	2,503,648	230,432	8
Airtime allowance	480,000	-120,000	360,000	300,000	60,000	17
Entertainment allowance	120,000	-	120,000	120,000	-	-
Non-practising	120,000	-60,000	60,000	60,000	-	-
Staff Welfare fund	360,000	-	360,000	513,600	-153,600	-43
Housing Levy	1,115,098	942,833	2,057,931	1,817,333	240,598	12
NITA	120,000	300	120,300	124,650	-4,350	-4
OSHA	50,000	-	50,000	30,000	20,000	40
Medical expenses	1,200,000	-200,000	1,000,000	674,523	325,477	33
Staff compensation and other charges	500,000	-200,000	300,000	-	300,000	100
CBA Arrears	2,203,876	-1,703,876	500,000	-	500,000	100
<b>Administration:</b>						
Wages	20,000,000	5,262,219	25,262,219	25,227,460	34,759	0
Official Entertainment	1,000,000	-	1,000,000	1,089,706	-89,706	-9
Advertising & Publicity	800,000	-200,000	600,000	383,460	216,540	36
Rent & Rates	700,000	-	700,000	532,000	168,000	24
General Office Supplies	1,900,000	-200,000	1,700,000	1,363,610	336,390	20
<b>Communication</b>						
Telephone /Airtime	3,200,000	-	3,200,000	2,777,691	422,309	13
Postal/ Courier Services	100,000	-	100,000	90,163	9,837	10
Internet /Data	2,000,000	-400,000	1,600,000	1,417,627	182,373	11
<b>Travelling &amp; Accommodation</b>		-				
Operations	11,000,000	5,200,000	16,200,000	15,593,380	606,620	4

**NAKURU RURAL WATER AND SANITATION COMPANY LIMITED**  
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**NAKURU RURAL WATER AND SANITATION COMPANY LIMITED**  
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ITEM DESCRIPTION	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET 2023/2024	ACTUAL PERFORMANCE	VARIANCE	%
Seminars/Workshops/Tours	7,000,000	4,300,000	11,300,000	12,096,486	-796,486	-7
Corporate Social Responsibility/donations	200,000	-	200,000	136,424	63,576	32
Subscriptions	400,000	50,000	450,000	427,781	22,219	5
Training fees	4,000,000	-500,000	3,500,000	3,785,127	-285,127	-8
Staff Welfare	4,000,000	1,000,000	5,000,000	4,840,480	159,520	3
<b>Insurance:</b>		-				
General & Motor	1,500,000	-500,000	1,000,000	-	1,000,000	100
Purchase of Uniforms & Protective Clothing	800,000	500,000	1,300,000	904,472	395,528	30
Publishing & Printing	200,000	-	200,000	64,332	135,668	68
		-				
<b>Contracted Professional Services</b>						
Security	4,000,000	-	4,000,000	3,745,528	254,472	6
Sanitation Services	240,000	-	240,000	88,722	151,278	63
Legal Fees	500,000	500,000	1,000,000	606,350	393,650	39
Computer Services	4,400,000	600,000	5,000,000	5,035,637	-35,637	-1
Consultancy services	2,000,000	1,500,000	3,500,000	3,541,523	-41,523	-1
Bank charges	500,000	200,000	700,000	615,947	84,053	12
Transport: Repairs & maintenance	3,500,000	-	3,500,000	3,168,004	331,996	9
Transport: fuel exp.	8,000,000	1,200,000	9,200,000	9,296,339	-96,339	-1
Hire of Transport & other Miscellaneous	700,000	1,800,000	2,500,000	2,259,790	240,210	10
Chemicals: CHLORINE	8,400,000	-700,000	7,700,000	6,888,660	811,340	11



ITEM DESCRIPTION	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET 2023/2024	ACTUAL PERFORMANCE	VARIANCE	%
Chemicals: ALLUMINIUM SULP.	17,000,000	3,000,000	20,000,000	21,808,000	-1,808,000	-9
Chemicals: SODA ASH		-	-		-	
Chemicals: LAB CHEMICALS	600,000	-	600,000	152,006	447,994	75
Maintenance for plant & equipment	1,600,000	2,100,000	3,700,000	4,049,201	-349,201	-9
Maintenance buildings & stations	800,000	-	800,000	625,721	174,279	22
Maintenance of water supply & pipelines	4,000,000	-500,000	3,500,000	2,593,083	906,917	26
Electricity Production	40,800,000	200,000	41,000,000	44,990,489	-3,990,489	-10
Electricity for office	400,000	100,000	500,000	528,615	-28,615	-6
Water and conservancy (Office Use)	200,000	-	200,000	121,496	78,504	39
Water for Distribution (Bulk Purchase)	4,500,000	5,784,000	10,284,000	12,648,768	-2,364,768	-23
WRA	4,500,000	-	4,500,000	3,741,425	758,575	17
Licence operation fee - 4%	14,180,000	-	14,180,000	14,822,833	-642,833	-5
Kenya forest service	500,000	-300,000	200,000	-	200,000	100
<b>Board Expenses:</b>		-				
Sitting Allowances	2,200,000	-400,000	1,800,000	2,400,000	-600,000	-33
Honoraria & Airtime	780,000	-	780,000	780,000	-	-
Travelling & Accommodation	1,200,000	-	1,200,000	1,103,100	96,900	8
Lunch & Transport	1,000,000	-	1,000,000	1,182,000	-182,000	-18
Airtime allowance	96,000	-	96,000	30,000	66,000	69
Medical Allowances	500,000	-300,000	200,000	-	200,000	100

**NAKURU RURAL WATER AND SANITATION COMPANY LIMITED**  
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ITEM DESCRIPTION	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET 2023/2024	ACTUAL PERFORMANCE	VARIANCE	%
<b>Fixed Assets:</b>		-				
Purchase of Office Equipment	1,200,000	100,000	1,300,000	1,509,375	-209,375	-16
Purchase of Motorcycles/Vehicles	-	-	-		-	
Purchase of Meters	-	5,000,000	5,000,000	5,437,373	-437,373	-9
Building	1,400,000	-	1,400,000	1,350,000	50,000	4
New Pipeline/Network Extensions	10,000,000	3,500,000	13,500,000	12,612,761	887,239	7
Software	-	-	-		-	
Purchase of Plant and Lab Equipment	1,800,000	1,400,000	3,200,000	1,509,375	1,690,625	53
Utility Contribution-Mutirithia Project	9,000,000	-	9,000,000	21,329,763	-12,329,763	-137
	<b>368,700,000</b>	<b>18,300,000</b>	<b>387,000,000</b>	<b>378,179,300</b>	<b>8,820,700</b>	<b>2</b>
CLSG 2	122,229,200	-61,114,600	61,114,600	335,118	60,779,482	99
Western NRW project	2,960,000	-	2,960,000	3,023,887	-63,887	-2
WSTF-UPC 8 Project		3,834,962	3,834,962	788,812	3,046,150	79
<b>Total Expenditure</b>	<b>493,889,200</b>	<b>-38,979,639</b>	<b>454,909,562</b>	<b>381,593,891</b>	<b>73,315,670</b>	<b>16</b>

**NOTE:** The under expenditure on the budget is largely attributable to receipt of CLSG 2 financing of KES 61,114,600 which was received on 30<sup>th</sup> May 2024.



## **5. Notes to the Financial Statements**

### **1. General Information**

NARUWASCO is established by and derives its authority and accountability from the PFM Act. NARUWASCO is wholly owned by the County Government of Nakuru and is domiciled in Kenya. Its principal activity is provision of 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 NARUWASCO 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 NARUWASCO.

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

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

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

- i. **New and amended standards and interpretations in issue and effective in the year ended 30 June 2023.**

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.	Effective for annual periods beginning on or after 1st January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.



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

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

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.)

**iii. Early adoption of standards**

NARUWASCO did not early-adopt any new or amended standards in year under review.

**4. Summary of Significant Accounting Policies**

The principal 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 receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii. **Finance** income comprises interest receivable from bank deposits and investment in securities and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv. **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v. **Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements,
- vi. **Other** income is recognized as it accrues.

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

**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.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items and are recognized in profit or loss in the income statement.

**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/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:



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

i. Buildings	4%
ii. Plant and machinery	12.5%
iii. Motor vehicles, including motorcycles	25%
iv. Office equipment, furniture and fittings	12.5%
V. Computers and office equipment are depreciated	30%

**e) Intangible assets**

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

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

Amortization is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount. Intangible assets are amortized at the rate of 20%.

**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 on 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 income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

**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.

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



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

**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 statement of financial performance.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

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

**o) Deferred tax**

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

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



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

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 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.

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**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 amortised cost using the effective interest rate method. Amortised cost is calculated by considering 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.



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

Loan interest accruing during the construction of a project is capitalised 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 amortised 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 operates a defined contribution scheme for all full-time employees from July 1, 2021. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at the rate of 7.5% and 15 % per employee per month.

**u) Provision for staff leave pay**

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

**v) Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in profit or loss.

**w) Budget information**

The original budget for FY 2022-2023 was approved by the Board of Directors on June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and

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

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 in the statement of Comprehensive Income has been presented under section xiv of the 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 both,

Other wise-any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Company also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**y) Comparative figures**

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

**z) Subsequent events**

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

**aa) Incorporation**

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

**ab) Events After the Reporting Period**

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

**ac) Currency**

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



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

**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 from 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. 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.

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

<b>6. Revenue</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Water Bill	365,124,557	303,760,293

<b>7. Other Incomes</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Molo Sewer charges	1,078,581	962,003
Penalties, reconnections and other charges	7,241,158	15,520,682
Connection	3,085,500	3,538,050
Tanker	22,700	748,050
<b>Totals</b>	<b>11,427,939</b>	<b>20,768,785</b>

<b>8. Grant Income</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Vei/WSTF	2,579,318	

<b>9. Cost of Sales</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Electricity for Production	44,990,489	32,457,623
Supply for Production (Chemicals)	28,848,666	28,060,400
Bulk water purchase	12,648,768	9,471,460
<b>Total</b>	<b>86,487,923</b>	<b>69,989,483</b>

<b>10. Administration</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Official Entertainment	1,089,706	925,548
Electricity for office	528,615	388,950
Water conservancy	121,496	52,096
Telephone expenses	2,777,691	2,771,460
Internet/Data	1,417,627	1,444,791
Postal and Courier Services	90,163	97,093
Travelling and operation	27,689,866	21,349,750



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Publishing and Printing Services	64,332	110,490
Subscriptions	427,781	561,890
Advertisement and Publicity	383,460	527,300
Rent and Rates	532,000	583,500
Staff welfare	4,840,480	4,029,189
Insurance - motor	-	922,036
Supply of Uniforms	904,472	539,220
General Office Supplies	1,363,610	1,265,400
Transport and Operating expenses	12,464,343	10,996,052
Corporate Social Responsibility	136,424	43,500
OSHA	30,000	
<b>Total</b>	<b>54,862,067</b>	<b>46,608,263</b>

<b>11. Staff costs</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Salaries and Allowances	120,429,602	118,395,876
vei salaries and Allowances	3,614,601	
Wages -Temporary Employees	25,227,460	20,678,022
Gratuity Provisions	2,503,648	3,109,371
Pension and Nssf contribution	9,471,662	7,592,382
Leave pay	3,349,150	3,294,977
Medical Expenses	674,523	474,106
NITA	124,650	82,300
Benevolent	513,600	508,200
Housing Levy	1,817,333	1,520,110
<b>Total</b>	<b>167,726,229</b>	<b>155,655,344</b>

<b>12. Bank charges</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Kcb Revenue account	256,855	185,643

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Kcb Expenditure Account	302,376	198,710
Kcb Contingency Account	10,108	12,826
Kcb Deposit Account	10,403	12,150
Family Bank	14,400	16,800
KCB WSTF	3,020	1,065
KCB KENHA	1,525	5,382
Co-operative project	15,715	21,450
National Bank Revenue Account	695	
National Bank Project Account	851	
<b>Total</b>	<b>615,947</b>	<b>454,026</b>

<b>13.Contractd professional services</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Security	3,745,528	3,221,996
Sanitation	88,722	46,186
Legal services	606,350	282,700
Computer Services	5,035,637	4,084,200
Consultancy service	3,541,523	4,916,557
<b>Total</b>	<b>13,017,761</b>	<b>12,551,639</b>

<b>14.Hire of transport and machinery</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
	2,259,790	861,600
<b>Total</b>	<b>2,259,790</b>	<b>861,600</b>

<b>15.Training</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
	3,785,127	3,819,580
<b>Total</b>	<b>3,785,127</b>	<b>3,819,580</b>

<b>16. Regulatory fee</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>



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Licence & Regulatory fee	14,822,833	13,472,961
<b>Total</b>	<b>14,822,833</b>	<b>13,472,961</b>

<b>17. Water Users/Permit fees</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Water use fee	3,741,425	3,725,852
<b>Total</b>	<b>3,741,425</b>	<b>3,725,852</b>

<b>18. Honoraria and airtime</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
	780,000	780,000
<b>Total</b>	<b>780,000</b>	<b>780,000</b>

<b>19. Repairs and Maintenance</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Maintenance of water supply	2,593,083	3,389,990
maintenance of building and station	625,721	306,905
Maintenance of plant & equipment	4,049,201	2,288,905
<b>Total</b>	<b>7,268,005</b>	<b>5,985,800</b>

<b>20. Board expenses</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Sitting Allowance	2,400,000	2,460,000
Travel and accommodation	1,103,100	1,502,300
Lunch and Transport	1,182,000	1,470,000
Airtime	30,000	57,000
<b>Total</b>	<b>4,715,100</b>	<b>5,489,300</b>

<b>21. Depreciation</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Furniture	219,367	181,549
Meters, plant and Equipment	40,859,222	35,206,714
Motorcycles	1,673,300	1,673,300

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Computers office equipment	1,634,548	1,299,179
Building	258,023	204,023
<b>Total</b>	<b>44,644,460</b>	<b>38,564,765</b>

<b>22. Amortization</b>	<b>5,390,090</b>	<b>5,390,090</b>
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<b>23. Audit (Provision of Audit fees)</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Audit fees	348,000	348,000
<b>Total</b>	<b>348,000</b>	<b>348,000</b>

<b>24. ADB Loan:</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
	7,085,934	7,085,934
<b>Total</b>	<b>7,085,934</b>	<b>7,085,934</b>

<b>25. Bad debts provision</b>	<b>-</b>	<b>619,820</b>
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26.(a) Property plant and equipment							
	Furniture and &Fittings	Meter Plant & Equipment	Building	Motorcycle Vehicles	Office Equipment	WIP	Total
	12.5%	12.5%	4%	25%	30%		
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Cost</b>							
As at 1 July 2023	2,428,765	323,626,994	5,100,575	16,692,418	9,603,684	294,133,385	651,585,821
During the year	302,544	19,559,509	1,350,000	-	1,117,896	25,142,462	47,472,411
<b>Total cost</b>	<b>2,731,309</b>	<b>343,186,503</b>	<b>6,450,575</b>	<b>16,692,418</b>	<b>10,721,580</b>	<b>319,275,847</b>	<b>699,058,231</b>
Fully depreciated assets	976,375	16,312,725	-	9,999,218	5,273,088	-	32,561,405
<b>Grand total</b>	<b>1,754,934</b>	<b>326,873,778</b>	<b>6,450,575</b>	<b>6,693,200</b>	<b>5,448,492</b>	<b>319,275,847</b>	<b>666,496,826</b>
<b>Less Depreciation</b>							
As at 1 July 2023	1,934,100	143,738,204	762,431	13,376,556	9,496,234	-	169,307,524
During the year	219,367	40,859,222	258,023	1,673,300	1,634,548	-	44,644,460
Armortisation							-
Over depreciation recovered					-	-	-
<b>Total depreciation</b>	<b>2,153,466</b>	<b>184,597,426</b>	<b>1,020,454</b>	<b>15,049,856</b>	<b>11,130,781</b>	<b>-</b>	<b>213,951,984</b>
<b>NBV as at 30th June 2024</b>	<b>577,843</b>	<b>158,589,077</b>	<b>5,430,121</b>	<b>1,642,562</b>	<b>409,201</b>	<b>319,275,847</b>	<b>485,106,248</b>

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<b>26. b</b>			
	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>NBV</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Buildings	6,450,575	1,020,454	5,430,121
Plant and machinery	343,186,503	184,597,426	158,589,077
Motor vehicles, including motorcycles	16,692,418	15,049,856	1,642,562
Computers and related equipment	10,721,580	11,130,781	409,201
Office equipment, furniture, and fittings	2,731,309	2,153,466	577,843
WIP	319,275,847		319,275,847
<b>TOTAL</b>	<b>699,058,231</b>	<b>213,951,984</b>	<b>485,106,248</b>

<b>27. Intangible Assets</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Cost as at July 1</b>	<b>35,357,703</b>	<b>35,357,703</b>
Additions		-
<b>At June 30</b>	<b>35,357,703</b>	<b>35,357,703</b>
<b>Fully depreciated asset</b>	<b>8,407,253</b>	<b>8,407,253</b>
	<b>26,950,450</b>	<b>26,950,450</b>
<b>AMORTISATION</b>		
<b>At July 1</b>	<b>23,869,652</b>	<b>18,479,562</b>
Charge for the year	5,390,090	5,390,090
<b>At June 30</b>	<b>29,259,742</b>	<b>23,869,652</b>
<b>Net Book Value</b>		
At June 30	<b>6,097,961</b>	<b>11,488,051</b>

<b>28. INVENTORIES</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>



**NAKURU RURAL WATER AND SANITATION COMPANY LIMITED**  
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ALLUMINIUM	575,186	1,392,940
CHLORINE	572,460	265,153
SODA ASH	26,970	28,768
Stationaries	19,860	157,525
Transport Repair	21,111	28,800
Tools and Equipment	320,840	
Water in reservoirs and Pipeline	383,600	
<b>Total</b>	<b>1,920,027</b>	<b>1,873,186</b>

<b>29) Reconciliation of Impairment Allowance for Inventories</b>		
	<b>2023-2024</b>	<b>2022-2023</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
At the beginning of the year		
Additional provisions during the year		
Recovered during the year		
Written off during the year		
At the end of the year		

<b>30. Trade and Other Receivables</b>		
<b>Trade Receivables</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
DOD	26,649,206	5,777,864
NAWASCO	7,630,000	4,082,000
Other Trade receivables	186,936,421	179,267,692
<b>Total trade receivables (note 15 a)</b>	<b>221,215,627</b>	<b>189,127,557</b>
<b>Electricity/Rent Deposits</b>	<b>4,707,500</b>	<b>4,707,500</b>
<b>VAT refunds</b>	<b>4,605,749</b>	<b>4,605,749</b>

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Gross trade and other receivables	230,528,876	198,440,806
Net trade and other receivables	230,528,876	198,440,806
<b>30. a</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Gross trade receivables	221,215,627	189,127,557
Provision for doubtful receivables		619,820
Net trade receivables	221,215,627	188,507,736
<b>At June 30, the ageing analysis of the gross trade receivables was as follows:</b>		
	<b>2023-2024</b>	<b>2022-2023</b>
Less than 30 days	31,115,236	- 3,504,301
Between 30 and 60 days	10,539,762	- 4,297,308
Between 61 and 90 days	10,335,946	8,119,705
Between 91 and 120 days	9,753,916	7,109,542
Over 120 days	161,044,993	181,700,548
<b>Total</b>	<b>221,215,627</b>	<b>189,127,557</b>
<b>30. (b ) Reconciliation of Impairment Allowance for Trade Receivables</b>		
<b>Description</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
At the beginning of the year		-
Additional provisions during the year		-
Recovered during the year		-
Written off during the year		-
At the end of the year		-
		-



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<b>31. Deposits</b>		
	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Bal b/f	4,707,500	4,699,000
Deposits for the year		8,500
<b>Total</b>	<b>4,707,500</b>	<b>4,707,500</b>

<b>32. KRA VAT Refund</b>		
	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Bal BF	4,605,749	4,605,749
<b>Total</b>	<b>4,605,749</b>	<b>4,605,749</b>

<b>33. Bank and cash balance</b>		
	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Cash at hand		-
Cash at bank	99,524,695	42,880,343
Mpesa	1,178,010	482,496
	<b>100,702,705</b>	<b>43,362,839</b>

<b>Detailed analysis of the cash and cash equivalents</b>			
	<b>Account Number</b>	<b>2023-2024</b>	<b>2022-2023</b>
		<b>Kshs</b>	<b>Kshs</b>
Cash in hand			-
KCB Deposit account	1,120,914,175	24,023,872	20,024,766
KCB Revenue	1,108,148,859	188,093	167,858
KCB Expenditure	1,108,149,162	8,287,946	678,147
KCB Contingency account	1,139,635,891	9,193	295,386
Family Bank	19,000,038,996	24,042	16,479

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Kenya Post Office Saving Bank	744130012558	350,682	564,248
Mpesa	706138	1,178,010	482,496
WSTF	1281804193	899	1,622
KCB KENHA Account	1285173503	17,764,556	21,043,822
Co-operative Bank	1141883105201	3,978,924	88,015
National Bank Revenue Account		358,376	
National Bank Project Account		60,774,478	
National Bank Escrow Account		339,526	
<b>Total</b>		<b>100,702,705</b>	<b>43,362,839</b>

<b>34.(a) Share Capital</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Authorized:</b>		
5,000 Ordinary shares of Kshs. 100 each	500,000	500,000
<b>Issued and Fully Paid:</b>		
5,000 ordinary shares of Kshs. 100 each	<b>500,000</b>	<b>500,000</b>

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>(b) Capital Reserve</b>	<b>228,709,738</b>	<b>228,709,738</b>
	<b>228,709,738</b>	<b>228,709,738</b>

<b>(c) Revenue Reserve</b>		
	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
This item is made up of the following:		
Balance b/f	421,819,545	400,777,590



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Profit (Loss)	- 38,418,876	- 41,950,879
Adjustment tax amnesty		20,908,924
<b>Total</b>	<b>- 460,238,420</b>	<b>- 421,819,545</b>

<b>35.Grants</b>		
	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Balance brought forward</b>	<b>494,475,811</b>	<b>446,307,853</b>
KeNHA		25,000,000
VEI	3,641,436	10,315,994
VEI Mutirithia	13,195,501	
Gatsby		3,500,000
CLSG II	61,114,693	
WSTF	3,834,962	12,559,534
<b>Sub Total</b>	<b>81,786,592</b>	<b>51,375,528</b>
Amortization		- 3,207,570
<b>Total</b>	<b>576,262,403</b>	<b>494,475,811</b>

<b>36. Trade and Other Payables</b>		
	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Trade Payables	33,424,543	11,211,699
Salaries Statutory deductions and other deductions	52,839,783	56,113,787
CRWDA	214,025,320	214,025,320
Water Resources Authority	18,149,560	15,296,307
Wasreb	51,832,131	41,870,546
AFDB Loan	49,601,536	42,515,603
<b>(a)Total trade payables</b>	<b>419,872,873</b>	<b>381,033,262</b>

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<b>37. Consumer deposits</b>		
Opening balance	42,999,093	38,558,643
Deposits for the year	4,024,509	4,513,950
Deposit Refund		- 73,500
<b>Consumer deposits</b>	<b>47,023,602</b>	<b>42,999,093</b>
<b>38. Prepayment income</b>	<b>9,139,621</b>	<b>9,106,820</b>
<b>39. Accrued audit fees</b>	<b>3,086,000</b>	<b>2,438,000</b>

<b>40. Loan interest</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
KCB loan interest		-
<b>Total</b>		

<b>41. Tax amnesty</b>		<b>20,908,924</b>
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<b>42. Notes to the cash flows.</b>			
		<b>2023-2024</b>	<b>2022-2023</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>Operating profit/(loss)</b>		- 38,418,876	- 4,982,421
Depreciation	29	44,644,460	38,564,765
Depreciation recovery	29		-
Amortization	30	5,390,090	5,390,090
<b>Operating profit/(loss) before working capital changes</b>		<b>11,615,674</b>	<b>38,972,433</b>
<b>Working capital changes</b>			
(Increase)/decrease in inventories		- 46,842	739,573
(Increase)/decrease in trade and other receivables		- 32,088,070	9,088,162
Increase/(decrease) in trade and other payables		38,839,611	- 22,769,228



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(Increase)/decrease in prepayments			-
Increase (decrease in provisions)		619,820	619,820
(Increase)/decrease in electricity deposits		-	8,500
Increase/(decrease) in consumer deposits		4,024,509	4,440,450
Increase/(decrease) in prepayment income		32,801	276,071
Increase/(decrease) in accruals		648,000	300,000
		<b>23,645,503</b>	<b>29,819,141</b>
<b>Fixed assets acquired</b>			
PPE	10		47,472,411
Less Mutirithia/NRW project paid by donor			10,315,994
<b>Net amount</b>			<b>37,156,417</b>
<b>Intangible assets acquired</b>			
Less intangible asset paid by donor			
<b>Net amount</b>			
			<b>2022-2023</b>
			<b>Kshs</b>
<b>Collections for the year</b>			
Q.1			84,340,251
Q.2			80,818,074
Q.3			86,679,885
Q.4			81,184,741
			<b>333,022,951</b>

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**6. Appendices**

**Appendix 1: progress on follow up of auditor recommendations.**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	<p><b>Unsupported Expenditure on Bulk Water Purchase</b></p> <p>The statement of profit or loss and other comprehensive income reflects production cost amounting to Kshs.69,989,483. The amount includes bulk water purchase costs of Kshs.9,471,460 as disclosed in Note 10 to the financial statements. However, the expenditure was not supported with invoices and contract agreement between the company and Nakuru Water and Sanitation Company.</p>	<p>Bulk water purchase between NAWASSCO and NARUWASCO is governed by the provisions of the Water Act 2016 section 100... thus,</p> <p>(1) A person shall not supply water in bulk to a water services provider without a license issued by the Regulatory Board.</p> <p>(2) A water service provider may enter into an agreement with any other licensee or water services provider on terms and conditions to be approved by the Regulatory Board-</p> <p>(a) for the supply of water in bulk for a specific period; or</p>	Resolved	



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	In the circumstance, the accuracy and propriety of production cost amounting to Kshs.69,989,483 could not be confirmed.	<p>(b) where the supply is to be given by a water services provider, either within or outside the area of service of that water services provider.</p> <p>(3) Where it appears to the Regulatory Board that-</p> <p>(a) it is expedient for- Supply of bulk water. The Water Act, 2016 66</p> <p>(i) any licensee or water services provider to give the supply of water in bulk to another licensee or water service provider;</p> <p>(ii) the other licensee or water services provider to take such supply; and</p> <p>(b) giving and taking of such a supply cannot be secured by agreement, the Regulatory Board may, by order served on the parties, require the licensees concerned to give and take the supply of water in bulk for such a period and on such terms as the Regulatory Board may specify.</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2	<p><b>African Development Bank (AFDB) Loan</b></p> <p>The statement of profit or loss and other comprehensive income reflects African Development Bank (AFDB) loan amounting to Kshs.7,085,934 relating to loan repayment which is not recurrent expenditure in nature and was not budgeted. Further, as previously reported, the principal loan amounting to Kshs. 178,529,739 was offered to the Rift Valley Water Services Board to undertake various infrastructure projects. However, none of the infrastructure assets were handed over to the Company. Further, the interest payable is not supported by way of contractual or agreement.</p> <p>In the circumstances, the accuracy, and validity of the AFDB Loan amounting to Kshs.7,085,934 could not be confirmed.</p>	<p>Transfer of assets has not been done as per Water Act 2016 while AFDB loan was apportioned to the water companies for repayment. We shall therefore adjust the subsequent financial statements and remove the liability until the process for transfer of assets and liabilities is complete as per the audit recommendations.</p> <p>Water act 2016 Section 83; A county or a cross-county owned water service provider established as a public institution and operating and providing water services shall hold the county or national public water services assets on behalf of the public. County owned water service provider to hold assets for the public.</p>	Unresolved	



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3	<p><b>Unsupported Inventories Balance</b></p> <p>Statement of financial position reflects inventories balance of Kshs.1,873,186 as disclosed in Note 29 to the financial statements. However, the balance was not supported by stores ledger cards, bin cards, stock taking instructions and stock taking sheets. Further, the water stock in the tanks and pipelines at the closure of the financial year has not been incorporated in the balance.</p> <p>In the circumstances, the accuracy and fair statement of the inventories balance of Kshs. 1,873,186 could not be confirmed.</p>	<p>The above observations on inventories of the financial statement are well supported. All the above information on stock descriptions, systems stock balances, actual stock balances are all in the system (Procurement module) the same was explained and shown to the Auditor who was doing the follow up and he was satisfied to the information in the system. They are available for audit verification.</p> <p>Water stock - the company is exploring on the modalities and methodology of valuing and disclosing water stocks.</p>	Unresolved	
4	<p><b>Receivables Balance</b></p> <p>The statement of financial position reflects receivables balance of Kshs189,127,557 as</p>	<p>Negative balance In trade receivable aging analysis was occasioned by system error which the IT administrator shall resolve with the system</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)																		
	<p>disclosed in Note 30 to the financial statements. The aging analysis of the receivables reflects negative receivables amounting Kshs.7,801,609 aged is less than sixty (60) days as disclosed in Note 30(a) to the financial statements. The negative balances has not been explained. Further, analysis of the movements of trade receivables during the period revealed unexplained variance of Kshs.2,794,234. In addition, the receivables amounting to Kshs. 190,371,454 have been outstanding for over 180 days.</p> <p>In the circumstances, the accuracy, and recoverability of trade and receivables balance of Kshs. 189,127,557 could not be confirmed.</p>	<p>developer. However, the aging analysis does not affect the financial statements since the total balance in the aging report equals to the debtor balance pulled from the system.</p> <table><tr><th>Description</th><th>Amount</th></tr><tr><td>Opening Balance</td><td>197,595,899</td></tr><tr><td>Water Billed during the Year</td><td>316,747,961</td></tr><tr><td>Other Bills</td><td>10,600,882</td></tr><tr><td>Total Billing</td><td>524,944,742</td></tr><tr><td>Collections</td><td>333,022,951</td></tr><tr><td>Closing Balance</td><td>191,921,791</td></tr><tr><td>Reported in Financial Statement</td><td>189,127,557</td></tr><tr><td>Variance</td><td>(2,794,234)</td></tr></table> <p>The reported variance of KSH 2,794,234 refers to the billing adjustments during the period under</p>	Description	Amount	Opening Balance	197,595,899	Water Billed during the Year	316,747,961	Other Bills	10,600,882	Total Billing	524,944,742	Collections	333,022,951	Closing Balance	191,921,791	Reported in Financial Statement	189,127,557	Variance	(2,794,234)		
Description	Amount																					
Opening Balance	197,595,899																					
Water Billed during the Year	316,747,961																					
Other Bills	10,600,882																					
Total Billing	524,944,742																					
Collections	333,022,951																					
Closing Balance	191,921,791																					
Reported in Financial Statement	189,127,557																					
Variance	(2,794,234)																					



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>review. Listing of the adjustments is attached to audit verification.</p> <p>The company has in place an approved debt management policy, the same is available for audit verification</p>		
5	<p><b>Unsupported Share Capital Balance</b></p> <p>The statement of financial position reflects share capital balance of Kshs.500,000 as disclosed in Note 34 to the financial statements. Review of the Articles of Association revealed that the share capital of the Company is Kshs.500,000 divided into five thousand (5000) shares with a par value Kshs. 100. However, documentary evidence in support issues and payment of issued shares was not provided for audit. Further, share certificates for issued and paid for shares were not provided.</p>	<p>The Nakuru County Government is the only shareholder of the company. As advised by audit, we are consulting on the best way of addressing the shareholder certificate issue.</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	In the circumstances, the accuracy and ownership of the share capital amounting to Kshs.500,000 could not be confirmed.			
6	<p><b>Trade and Other Payables Balance</b></p> <p>The statement of financial position reflects trade and other payables balance of Kshs.381,033,262 as disclosed in Note 38 to the financial statements. The following anomalies were noted;</p> <p>i. The balance includes an amount of Kshs.214,025,320 owed to Central Rift Valley Water Works Development Agency. However, the amount has not been disclosed as a receivable in the Agency financial statements and has been outstanding for too long.</p> <p>ii. The balance includes unremitted statutory deduction and other payroll deductions totalling to Kshs.56,113,787 recovered from employees</p>	<p><b>I. Unsupported Trade Payables</b></p> <p>All supplier statements are available for audit verifications.</p> <p>Delay in payments to creditors was occasioned by cashflow issues due to delay in receipt of funds from major customers.</p> <p><b>I. Long Outstanding Rift Valley Water Works Development Agency Levy</b></p> <p>The company shall engage with CRVWWDA on the removal of the payable amounts from the books of accounts.</p> <p><b>I. Non-Remittance of Statutory and Other Deductions</b></p>		



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
	<p>but not remitted to various institutions. Management did not provide an explanation for non-remittance of the deductions to the respective institutions.</p> <p>ii. In addition, trade other payables balance include amounts of Kshs.41,870,546 and Kshs. 15,296,307 in respect to regulatory fee to Water Services Regulatory Board and Water Resources Management Authority respectively. The amount has accumulated over the years and no explanation was provided for non-remittance of the levies.</p> <p>v. The balance includes Africa Finance Development Bank loan payable to Central Rift Valley Water Works Development Agency amounting to Kshs.42,515,603. Review of records revealed that the loan was utilized by Rift Valley Water Works Development Agency to</p>	<p>The company has put in place measures to ensure timely remittance of statutory deductions. During the financial year under review, the company completed servicing a payment plan for pension arrears as at 2011/2013 (Kshs 16,45,975) which was fully paid by August 2023 and for NSSF 2007/2008 (Kshs 8,956,290) arrears which was fully paid by February 2023 (attached). Efficiencies/gains achieved during implementation of the new tariff shall be applied to clearing all outstanding statutory deductions.</p> <p><b>IV. Failure to Remit Regulatory Fees</b></p> <p>The company has in place a weekly standing order of Kshs 300,000 (attached) from the revenue account to WASREB on a weekly basis in order to reduce the regulatory fees balance.</p> <p><b>V. African Finance Development Bank Loan</b></p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>develop various infrastructure projects on behalf of Nakuru Rural Water and Sanitation Company Limited. However, the infrastructural assets were not handed over to Nakuru Rural Water and Sanitation Company Ltd. Further, the loan agreement was not provided for audit. In addition, the loan amount has not been disclosed as a receivable in the financial statements of the water works agency for the year ended 30 June, 2023.</p> <p>In the circumstances, the accuracy and fair statement of trade and other payables balance of Kshs.381,033,262 could not be confirmed.</p>	<p>AFDB loan was apportioned to the water companies for repayment by CRVWWDA. We shall therefore adjust the subsequent financial statements and remove the liability until the process for transfer of assets and liabilities is complete as per the audit recommendations.</p>		
7	<p><b>Inaccuracies of Consumer Deposits</b></p> <p>The statement of financial position reflects consumer deposits amounting to Kshs.42,999,093 as disclosed in Note 39 to the</p>	<p>All deposits amount received from our customers have been taken into account appearing as liability). Every time a customer needs a refund, it is done immediately. Earlier on, the company utilized</p>	Unresolved	



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Time me. (Put a date when you expect the issue to be resolved)
	financial statements. However, the amount differs with the deposit bank account balance of Kshs.20,024,766 resulting to a variance of Kshs.22,974,327. This is an indication that the Company had spent customer deposits without authority. Further, the deposits bank reconciliation statement for the month of June, 2023 revealed consumer deposits amounting to Kshs. 19,973,804 which were not credited in the bank account. No explanation was provided for the variance. In addition, the deposits ledger was not provided for audit verification. In the circumstances, the accuracy and completeness of the consumer deposits balance of Kshs.42,999,093 could not be confirmed.	deposit amounts on network extensions and NRW management (metering) to improve on the company financial position. Management is planning to fully refund consumer deposits following improved financial position having attained more than 98% metering.		
8	<b>Unsupported Prepayment Income</b> The statement of financial position reflects prepayment income balance of Kshs.9,106,820	Records for the prepayments amounting to Ks 7,593,016 have been provided for audit verification.		

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	<p>as disclosed in Note 40 to the financial statements. The balance includes domestic liability from the Company amounting to Kshs. 7,593,016 which was not supported.</p> <p>In the circumstances, the accuracy and completeness of the prepayment income balance of Kshs.9,106,820 could not be confirmed.</p>			
1	<p><b>Budgetary Control and Performance</b></p> <p>The statement of comparison of budget and actual amount reflects a total revenue budget amounting to Kshs.401,221,655 against actual receipts of Kshs.354,671,780 resulting to revenue shortfall of Kshs. 46,549,876 or 12% of the targeted revenue.</p> <p>Report of the Auditor-General on Nakuru Rural Water and Sanitation Company Limited for the year ended 30 June, 2023.The budget under</p>	<p>The shortfall in revenue was largely occasioned by delay in receiving grant income from both WSTF and VEI. However, measures have been employed to ensure revenue budget is optimally achieved.</p> <p>The shortfall in expenditure was also occasioned by delay in implementation of the donor funded projects which were still work in progress by the end of the financial year</p>		



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
	performance negatively affected service delivery to the residents of Nakuru.			
2	<p><b>Material Uncertainty Relating to Going Concern</b></p> <p>The statement of financial position reflects current assets balance of Kshs.243,676,831 against current liabilities balance of Kshs.435,577,175 resulting to negative working capital of Kshs. 191,900,344. Further, statement of profit or loss and other comprehensive income reflects a deficit of Kshs.41,950,879 a deterioration of Kshs. 34,264,540 from the prior year deficit of Kshs.7,869,339 diminishing the revenue reserved further to negative Kshs.421,819,545. The unfavorable performance and weak financial position denotes the existence</p>	<p>The company has put in place measures to ensure the company makes profit and enhance ability to sustain services, among them are:</p> <ul style="list-style-type: none"> <li>i. Implemented new indexed tariff in September 2023 (attached),</li> <li>ii. Company budget has been aligned to new tariff approved by WASREB,</li> </ul> <p>The company has also continued to develop and implement programs aimed at reducing managing the NRW levels to increase billing revenue and enable the company to cover costs.</p> <p>Accordingly, we have substantially reduced the NRW from previous level of 49% to 44% as of 30th June 2023. Current target level is 32% as at June 2024</p>	Unresolved	

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	of material uncertainty on the Company's ability to meet its financial obligations and the sustainability of services. However, this fact has not been disclosed while the Company's sustainability is heavily dependent on continued support by the County Government of Nakuru, creditors and other stakeholders.	Approved debt management policy to be implemented to ensure collection of long outstanding debts/receivables.  The company has also initiated engagement with CRVWWA and the County government on removal of AFDB loan from the books of accounts to improve our working capital.		
1	<b>Delayed Hand-over of Relocation of Water and Sewerage Infrastructure Project</b> A contractor was awarded the tender to execute the contract for the relocation of the water supply and sewerage infrastructure along the Gilgil weigh bridge to Barnabas and Njoro turnoff to Total Mau Summit at a contract price of Kshs 314,674,519 for a duration of 9 months (inclusive of defects notification period). The	All the issues/snags identified during inspection were addressed by the contractor. This project is now complete and operational .	Resolved	



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>contract agreement was signed 7 May, 2021. A review of records revealed that Kshs.223,919,164 has been aid to date out of the contract price of Kshs.314,674,519. However, 3 years since commencement of the project: the company has not taken over the project, the contractor had not been issued with the certificate of completion and final payments had not been made.</p> <p>In the circumstances, value for project works and services was not achieved in the implementation of the project.</p>			
2	<p><b>. Excessive Non-Revenue Water</b></p> <p>The statement of profit or loss and other comprehensive income reflects water sale amounting to Kshs. 303,760,293 as further</p>	<p>The company has continued to develop and implement programs aimed at managing the NRW problem. Accordingly, we have sustainably reduced the NRW from a high of 49% last year to 45% as of</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	disclosed in Note 6 to the financial statements. Review of records revealed that the Company produced a total of 7,482,581 cubic meters (M <sup>3</sup> ) of water out of which, 4,080,087 Cubic Metres (M <sup>3</sup> ) was billed to customers for Kshs.303,760,293 while the balance of 3,402,494 Cubic Metres (M <sup>3</sup> ) or approximately 45.5% of the total volume of water produced represents non-revenue water. The non-revenue water of 45.5% was over and above the allowable loss of 25% set by the Water Services Regulatory Board (WASREB) guidelines by 20.5%. Further, the non-revenue water amounting to 3,402,494 cubic meters (M <sup>3</sup> ) resulted in loss sales amounting to Kshs.235,112,335 at the rate of Kshs.69 per M3 minimum water sale tariff.	<p>30th June 2023. We are targeting to reduce NRW further during the financial year 2023/2024 to 39%. Currently, we are implementing specific NRW investment plans/programs which shall lead to reducing NRW to below 39% in the next financial year. Below are specific strategies we are implementing to further reduce NRW:</p> <p>Physical losses - leaks &amp; bursts.</p> <ul style="list-style-type: none"> <li>i. Intensive patrolling,</li> <li>ii. Leak detection- using flow meters,</li> <li>iii. Pressure management using PRV's &amp; BPT</li> <li>iv. Minimal night flow measurements,</li> <li>v. Quick Response to Bursts And leaks,</li> <li>vi. Use of quality materials/pipes and fittings e.g., HDPE,</li> <li>vii. Use of GIS for mapping and reporting of leaks,</li> </ul>		



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Time me: (Put a date when you expect the issue to be resolved)
	In the circumstances, Management was in breach of the law.	<p>viii. Formation of zones &amp; DMAs for easy monitoring,</p> <p>ix. Formation of NRW unit,</p> <p>x. Budget support on NRW activities.</p> <p>Unauthorized consumption (illegal connections)</p> <p>i. Enhanced community sensitization</p> <p>ii. Locating meter at a strategic position to minimize the risk of being tampered with.</p> <p>iii. Punitive penalties to those involved in illegal activities.</p> <p>Metering inaccuracies, Tampering and Data handling errors.</p> <p>i. Choice of meter selection and installation standards,</p> <p>ii. Regular meter reading and generation of exceptional meter reading reports</p> <p>iii. Sealing of all customer meters.</p> <p>iv. Calibration of bulky meters using UFM,</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		v. Address Data handling Errors in meter reading and billing system.		
3	<p><b>Non-Compliance with Metered Connection</b></p> <p>The statement of profit or loss and other comprehensive income reflects water sale amounting to Kshs.303,760,293. The amount relates to sale of 4,080,087 Cubic Metres of water. Review of records revealed that the Company has connected 31,420 customers, however, 10,523 of the connections were not metered contrary to Part III of the Water Service Regulatory Board (WASREB) Model Water Service Regulation on unmetered connections which states that where on the commencement of these Regulations consumers have an unmetered supply of water from the water service provider, the consumer shall pay the water bills</p>	<ul style="list-style-type: none"> <li>We only have 1,784 unmetered active connections as of 30th June 2023. The company is in the process of metering 1,784 unmetered connections.</li> <li>On metered connections without services, it is the company policy that physical meter is not removed from the premises.</li> <li>Metered terminated connections to be addressed during data cleaning activities.</li> </ul>	Resolved	

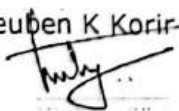


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	me. (Put a date when you expect the issue to be resolved)
	<p>charged by the water service provider in accordance tariffs approved by the Regulator. The water service provider shall ensure that all connections shall be metered within one year and shall provide a report to the water service Board and the Regulator on the progress with the provisions of this regulation charge.</p> <p>In the circumstances, Management was in breach of the law.</p>			

**Guidance Notes:**

- Use the same reference numbers as contained in the external audit report.
- Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management.
- Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report.

Name Reuben K Korir



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Signature

Managing Director

Date.....24/12/2024.....



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

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

**Status of Projects completion**

*(Summarise the status of project completion at the end of the reporting period, i.e., total costs incurred, stage which the project is etc.,*

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

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

**Name of Transferring entity...NONE.....**

**Name of Beneficiary entity...NONE.....**

**Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30<sup>th</sup> June (Current FY)**

Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
Total					

I confirm that the amounts shown above are correct as of the date indicated.

**Head of Accounts Department - Disbursing Entity:**

**Name ..... Sign ..... Date .....**

**Head of Accounts Department - Beneficiary Entity:**

**Name ..... Sign ..... Date.....**



Appendix IV: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
Tree planting	Annual Tree planting	Support protection of upstream water sources	Annual event held at Turasha Dam						

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**Appendix V: Reporting Disaster Management Expenditure**

Date:						
Entity:						
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
NONE					0	



Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive Income	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry/County department of Water	0	Recurrent	0	0	0	0	0	0	0
Ministry/County Department of water.	0	Development	0	0	0	0	0	0	0
USAID	0	Donor Fund	0	0	0	0	0	0	0
WSTF	30 <sup>TH</sup> MAY 2024	Direct Payment	61,114,693	61,114,693	0	0	0	0	61,114,693
<b>Total</b>			61,114,693	61,114,693	0	0	0	0	61,114,693