GOVERNMENT OF NAIROBI CITY COUNTY

THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

(SECOND SESSION)

NCCA APPROVED
18 JUL 2023
Sign: HON. SPEAKER
18/07/2023

NCCA/TJ/PL/2023(61) 18TH JULY 2023

PAPER LAID

SUBJECT: REPORT OF AUDITOR GENERAL

Pursuant to Article 229 (7) of the Constitution of Kenya, 2010, I beg to lay the following Paper on the Table of this Assembly, today Tuesday 18th July 2023.

— **THE REPORT OF AUDITOR GENERAL ON NAIROBI CITY WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30TH JUNE 2022**

(The Leader of Majority Party)

Copies to:
The Speaker
The Clerk
Hansard Editor
Hansard Reporters
The Press

Paper laid by Hon. Paul Kados on Tuesday 18th July 2023 @ 2:30pm
SCA
18/7/23

REPUBLIC OF KENYA

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

OAG
OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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

OAG/NRO/NCWSCO/2021/2022/ (20) 7 July, 2023

NAIROBI CITY COUNTY ASSEMBLY
CLERK
10 JUL 2023
P. O. BOX 45844-00100

Edward O. Gichana
Clerk to the Nairobi City County Assembly
P.O. Box 45844-00100
NAIROBI

Dear Edward

REPORT OF THE AUDITOR-GENERAL ON NAIROBI CITY WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

I transmit the report of the Auditor-General on the examination of the financial statements of Nairobi City Water and Sewerage Company Limited for the year ended 30 June, 2022. The report is submitted in accordance with the provisions of Article 229(7) of the Constitution for the necessary action as required by Article 229(8) of the Constitution.

Yours sincerely

for [signature]

Stanley Mwangi
For: AUDITOR-GENERAL

II DLS
Kindly prepare for Tabling
DC(L)
12/7/23.

Copy to: **Dr. Chris K. Kiptoo, PhD., CBS**
The Principal Secretary
The National Treasury
P.O. Box 30007-00100
NAIROBI

Mr. Jeremiah Nyegenye, CBS
Clerk to the Senate
P.O. Box 41842-00200
NAIROBI

I DCL
Kindly deal
~~[illegible]~~ forward
12/7/2023

The County Executive Member - Finance
County Government of Nairobi City
P.O. Box 30037-00100
NAIROBI

PCA (L&P)
Please deal as per II
for. DLS
13.7.2023.

GOVERNMENT OF NAIROBI CITY COUNTY

THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

(SECOND SESSION)

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18 JUL 2023
Sign: HON. SPEAKER
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OAG/NRO/NCWSCO/2021/2022/ (20)

7 July, 2023

NAIROBI CITY COUNTY ASSEMBLY
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County Government of Nairobi City
P.O. Box 30037-00100
NAIROBI

PCA (CL&P)
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13.7.2023

Regional Offices: Nairobi • Nakuru • Eldoret • Embu • Garissa • Kakamega • Kisumu • Mombasa • Nyeri • Bungoma • Kisii • Machakos

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

NAIROBI CITY WATER AND SEWERAGE COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2022

NAIROBI CITY WATER AND SEWERAGE COMPANY LTD

Annual Report and Financial Statements, For the year ending 30th, June 2022

2021 /2022

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

Annual Report and Financial statements

2021/2022

Table of Contents

I. KEY CORPORATE INFORMATION

Background information

The Nairobi City Water and Sewerage Company Ltd is incorporated in Kenya under the Companies Act of the Laws of Kenya. It is a private limited liability Company domiciled in Kenya. It is wholly owned by the Nairobi City county Government, although its services have been transferred to Nairobi Metropolitan Services (NMS) under the deed of Transfer of functions between NCCG and National Government for 2 years w.e.f March 2020 to Feb-22. Further to Article 9.1 of the Deed of Transfer of functions, the period was extended for a further six (6) months to expire on 24th August with handover period of 3months.

PRINCIPAL ACTIVITY

The Company provides water and sewerage services in Nairobi and its environs.

Our Vision

To be a world class provider of water and sewerage services.

Our Mission

Provide reliable quality water and sewerage services in an environmentally friendly manner that delights customers within Nairobi City County.

Our Core values

- Accountability
- Customer Focus
- Commitment
- Creativity and innovation
- Integrity
- Professionalism
- Teamwork

DIRECTORS

The Company's Board of Directors is appointed in accordance with the provisions of the Companies Act, Laws of Kenya. The Board of Directors who served during the year was appointed on19th July 2019 by the shareholder.

1.	Beryl Lillian Okumu Odinga	Chairperson	Appointed on 29th July 2019
2.	Timothy Maceru Muriuki	Vice-Chair	Appointed on 29th July 2019
3.	Leonard M Kamba Kiiti	Member	Appointed on 29th July 2019
4.	Karen Njeri Nyamu	Member	Appointed on 29th July 2019 and retired on 7th February 2022
5.	Martin Kuruga Mbichire	Member	Appointed on 29th July 2019
6.	Mohamed Abdi Abdullahi	Member	Appointed on 29th July 2019
7.	Emmah Mukuhi Muthoni	Member	Appointed on 29th July 2019
8	Allan Igambi Esabwa	Member	Appointed 17th April 2020
9.	Mohamed Abdi Abdirahman	Member	Appointed 6th January 2021 and retired in February 2022
10.	Jairus Musumba	Member	Appointed on 6th January 2021 retired 5th July 2021
11.	Abdihakim Kahiya	Member	Appointed 5th July 2021
12	K.Mario Kainga	Member	Appointed March 2022
13	Eng. Nahason M.Muguna	Managing Director	Appointed 27th May 2020

Principal Place of Business & registered Office
Kampala Road, Industrial Area
P.O. Box 30656 – 00100, Nairobi, Kenya
Email: info@nairobiwater.co.ke
Website: www.nairobiwater.co.ke

Bankers
Co-operative Bank of Kenya ltd
Enterprise Road Branch

P.O. Box 67881– 00200, Nairobi, Kenya.

Equity Bank (K) Limited

Equity centre, Hospital road, upper hill
P.O Box 75104-00200 Nairobi, Kenya

Absa Bank of Kenya PLC
Absa Headquarters, Waiyaki Way
P.O Box 30120-00100, Nairobi Kenya

Citibank N.A
Citibank House, Upper Hill Road
P.O Box 30711-00100, Nairobi, Kenya

NCBA Limited
NCBA Centre, Mara & Ragati Road
P.O Box 44599-00100 Nairobi, Kenya

Sidian Bank LimitedK-rep Centre,
Kilimani Road
P.O Box 25363-00603 Nairobi, Kenya

Bankers (Continued

Diamond Trust Bank Limited
Diamond Trust House,P.O Box -
00100 Nairobi,

Housing Finance
CorporationRehani House,
Kenyatta AvenueP.O Box 30088-
00100 Nairobi, Kenya

Ag. Company Secretary
Assumpta M. Reuben
P.O Box 30656-00100, Nairobi

Principal Legal Advisor

Attorney General

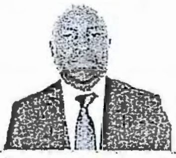
Auditor
Auditor General
Office of the Auditor General
12th Floor, Anniversary Towers
University Way
P.O Box 30084-00100, Nairobi,
Kenya.

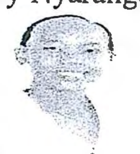
II. THE BOARD DIRECTORS

The Company is managed under the direction of a Board of Directors appointed by the shareholder (Nairobi City County Government).

The Board of Directors was appointed on 19th July 2019 and is listed below: -

	NAME	Qualifications and experience	Status
1	Beryl Lillian Okumu Odinga Chair (DoB 1956) 	LLB,Post graduate diploma in Law Chair - Kenya Railways Staff Retirement Benefit Scheme Deputy Town Clerk -City of Mutale, Zimbabwe Legal Advisor - Urban Development Corporation (Harare Zimbabwe) Deputy CEO - Chitugwiza Town Council (Zimbabwe) Board Chair-NCWSC	Appointed 19th July 2019
2	Timothy Maceru Muriuki (DoB 1969)- Vice Chair 	B.A. Land Economics Chair - Index Commercial Projects General Manager - International House Facilities Manager - Lloyd Masika Board member - Nairobi Central Business District Association Board member - Athi Water Services Board Board member - NCWSC Chair -Technical, Commercial & ICT Committee-NCWSC	Appointed 19th July 2019
3	Leonard M Kamba Kiiti - (DoB 1957) 	Bachelor of Science Chair - Makueni CDF Chair - Machakos Water and Sewerage Company Chair- Makueni District Education Board Golf Captain - Machakos Golf Club Chair - Mwaani Boys High School Board of Management - Mwaani Girls	Appointed 19th July 2019
4	Karen Njeri Nyamu (DoB 1979) 	Master of International Relations Bachelor of Law (LL.B) Diploma in Law Managing partner - Njeri Nyamu & Co. Advocates Head of conveyancing - B.M & Co advocates Chair-Human Resource, Administration & Communication Committee-NCWSC	Appointed 19th July 2019 and retired on 7th February 2022

	NAME	Qualifications and experience	Status
5	Martin Kuruga Mbichire (DoB 1982) 	Bachelor of Laws (LL.B) Post grad diploma in Law Advocate - Mbichire& Co Assistant Lecturer - Pioneer University	Appointed 19th July 2019
6	Mohamed Abdi Abdullahi (DoB 1990) 	MBA, Strategic Management Bachelor of International Business Administration Finance Director - Tristar Energy limited Production Manager -Premier Petroleum Monitoring and Evaluation Officer-Save Somali Women and Children Chair- Finance Committee NCWSC	Appointed 19th July 2019
7	Emmah Mukuhi Muthoni (DoB 1983) 	BCOM, Business Administration DIP County Executive Committee Member -Nairobi City County Government Head of corporate services - Toddy Civil Engineering Chief Financial Controller- Toddy Civil Engineering Chair-Human Resource, Administration & Communication Committee wef from Feb-22	Appointed 19th July 2019
8	Allan Igambi Esabwa (DoB 1976) 	County Executive Committee member -Finance and Economic Planning	Appointed 17th April 2020
9	Mohamed Abdi Abdirahman (DoB 1987) 	Bachelor of Business Administration, HR Marketing Director – Iqra Agencies Limited Nominated member of Nairobi City County Assembly County Chief Officer – Water & Sanitation (NCCG)	Appointed 6th January 2021 and retired in February 2022
10	Jairus Musumba 	County Secretary	Appointed on 6th January 2021 retired 5th July 2021

	NAME	Qualifications and experience	Status
11	Abdihakim Kahiya		Appointed 5th July 2021
12	 K.Mario Kainga		Appointed March 2022
13	Eng Nahason M. Muguna 	Managing Director ,Msc-Eng, MBA, Bsc.(Mechanical Eng)	Managing Director
14	Ivy Nyarango 	Company Secretary, LLM (dist.), LLB (hons), Dip.(Law),CPS (K), Dip(International protection of HR)	Contract lapsed on 30th June 2022
15	Assumpta M. Reuben	Ag. Company Secretary MBA (Strategic Management), LLB(Hons), Post graduate diploma in Law, Higher Dip in (HRM)	Acting from 1st July 2022

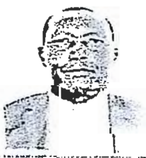
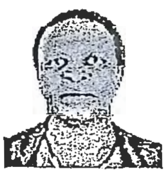
Changes during the year:

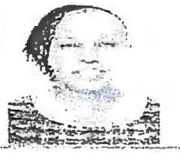
1. M/s Karen Njeri Nyamu resigned on 07 February 2022
2. Membership of County Chief Officer (Water) – Mohamed A. Abdirahman was replaced by Mario Kainga Kaigongi who took over from 21 March 2022.
3. County Secretary (Jairus Musumba) was replaced by NMS nominee (Abdihakim Kahiya, CBS) on 5th July 2021.

III. KEY OFFICERS

In line with the Company's governance documents, the Board delegates the day to day operations and management of the Company to the Managing Director.

Structurally, the company is headed by the Managing Director, who reports to the Board of Directors. The Managing Director provides overall leadership and chairs the Board of Management which comprises all heads of directorates of the company as follows;

Name	Title	Qualification
Eng. Nahason M. Muguna 	Managing Director	Msc-Eng, MBA, Bsc.(Mechanical Eng)
Monica N. Tuli 	Ag. Director Human Resources and Administration	Msc (HRM), Bachelor of Arts , Higher Dip (HRM),CHRP
Paul Evans Omondi 	Ag. Director Financial Services & Strategy	MBA (Strategic Management),B.Com (Finance), CPA(K)
Eng. Stephen Mbugua 	Director Commercial services	MBA (Strategic Management) BSc (Mechanical Engineering)
Eng. Lucy Njambi 	Ag. Director Technical Services	MSc Water and Sanitation,Bsc Civil Engineering
Martin W. Nangole 	Director Information & Communications Technology	Masters in IT, Bsc.(Computer science), CISCO,MCP

Martha Kibui 	Ag.Director Internal Audit & risk management	MBA(Strategic management) BA.(Economics in Accounting)
Assumpta M. Reuben 	Ag. Company Secretary	MBA (Strategic Management), LLB(Hons), Post graduate diploma in Law, Higher Dip in (HRM)

Under the above named directorates, the company structure is reinforced by several business process units which are headed by respective managers with a mandate of overseeing actualization of the company mission.

IV. CHAIRPERSON'S STATEMENT ON 2021/2022 FINANCIAL ACCOUNTS AND REPORT

Global Macroeconomic Overview

According to 2022 Kenyan Economic Survey, World real Gross Domestic Product (GDP) recorded an accelerated growth of 5.9 per cent in 2021 compared to a contraction of 3.1 per cent in 2020. The growth was supported by relaxation of measures put in place to control the spread of Corona Virus Infectious Disease 2019 (COVID-19). This resulted in an improvement in global trade as well as increased activity in the industrial and services sectors of most economies. The accelerated growth was witnessed across advanced economies as well as in Emerging Markets and Developing Economies (EMDEs). The recovery in advanced economies was mostly driven by the rollout of COVID-19 vaccines and reduction in mobility restrictions. In the EMDEs, the rebound was underpinned by increased domestic demand and policy support, coupled with the International Monetary Fund's (IMF) boost of general reserve assets of the countries in the bloc.

Sub-Sahara African and East African Community Regional Overviews

The Sub-Saharan Africa (SSA) economy grew by 3.7 per cent in 2021 compared to a contraction of 1.7 per cent in 2020. This growth was slower compared to the global growth which was attributed to the onset of the second and third wave of COVID-19 infections between January and July 2021, and low oil production in oil-producing countries. However, the registered growth was buoyed by high commodity prices and increased agricultural production attributed to favourable weather conditions. Inflation in the bloc rose from 10.3 per cent in 2020 to 10.7 per cent in 2021, due to a rise in energy and food prices. Current account balance as a percentage of GDP narrowed to a deficit of 2.2 per cent in 2021 from 3.0 per cent recorded in 2020. The narrowing of the deficit was mainly due to more favourable terms of trade and continued growth of remittance.

East African Community's (EAC) real GDP is estimated to have expanded by 4.9 per cent in the period under review compared to a growth of 1.0 per cent recorded in 2020. The accelerated growth was supported by favourable weather conditions in most of the countries in the region which resulted in bumper cereal output coupled with partial lifting of COVID-19 restrictions in Kenya and Rwanda. Inflation remained more or less the same in 2021 due to stable food inflation. Current account balance widened to a 5.7 per cent deficit in 2021 from a deficit of 5.0 per cent recorded in 2020 largely due to sluggish recovery of exports remittances that suppressed foreign exchange receipts.

Kenyan Economy Overview

The Kenyan economy recovered from the crippling effects of the COVID-19 pandemic to expand by 7.5 per cent in 2021 compared to a contraction of 0.3 per cent in 2020. The recovery was mainly driven by resumption of most economic activities after the lifting of the COVID-19 containment measures instituted in 2020 to curb the spread of the virus. In 2021, all economic activities registered positive growths except Agriculture, Forestry and Fishing which contracted by 0.2 per cent. Accommodation and Food Services, and Education services that had been severely affected by the pandemic grew significantly faster than those that were less affected in 2020.

Economic growth in 2021 was supported by improved performances in key sectors of the economy including; Manufacturing (6.9%), Wholesale and Retail Trade (7.9%), Real Estate (6.7%), Transportation and Storage (7.2%), and Financial and insurance activities (12.5%). In contrast, dry weather conditions that characterized the better part of 2021 adversely affected agricultural production, especially growing of key crops such as maize, beans, vegetables, tea and coffee leading to a contraction in its growth during the review period. The monetary policy stance adopted in 2021 was aimed at accelerating economic recovery after a slowdown in most economic activities in 2021 occasioned by the adverse effects of the COVID-19 pandemic.

Water and Sanitation Subsector Overview

The Government through the Ministry of Water, Sanitation and Irrigation has continued to undertake significant measures to ensure increased access to safe and adequate water countrywide. During the year under review, the Ministry, in collaboration with other stakeholders, were engaged in providing clean water through the drilling of boreholes and maintenance of modest Water Purification Points. The number of Water Purification Points is expected to increase by 15 from 338 in 2020/21 to 353 in 2021/22 following completion of water projects across the country through the Rapid Results Initiative. Similarly, it is expected that 4,241 boreholes will be drilled in 2021/22, significantly higher than 1,401 boreholes drilled in 2020/21. The private sector is expected to account for 88.9 per cent of the total number boreholes drilled.

The National Government overall expenditure on water supplies and related services is expected to decrease by 13.2 per cent from KSh 65.2 billion in 2020/21 to KSh 56.6 billion in 2021/22 financial year. This is attributed to the tight fiscal framework during 2021/22 financial year. However, during the review period, rural water supply development funding is expected to increase from KSh 2.4 billion to KSh 3.5 billion as the Government invests more in funding rural water projects. Further, funding for irrigation development is expected to increase substantially from KSh 0.5 billion in 2020/21 to KSh 1.4 billion in 2021/22 while that for National Irrigation Authority is expected to increase by 25.8 per cent to KSh 10.7 billion in 2021/22. Total volume of water abstracted increased by 16.0 million cubic metres to 32.3 billion cubic metres in 2021. Surface water abstraction which accounted for 99.3 per cent of the total volume of water abstracted increased by 23.2 million cubic metres in the review period.

Nairobi City Water and Sewerage Company

The impact of outbreak of COVID-19 pandemic across the globe, acknowledged the critical position of water sector as a key player in humanitarian emergencies responses and management. Indeed, this amplifies the need for Nairobi City Water and Sewerage Company to be proactive in designing and implementing effective strategies aimed at improving water and sewerage services for posterity within the city. Thus it is vital for the company not only to sustain its strengths but equally exploit on the existing opportunities while mitigating on threats and focus on transforming the weaknesses into strengths.

In the face of the global climate change threat that jeopardizes water resources both in quantity and quality, the company is at the forefront in supporting actions required for promotion of climate change resilience. These include collaborating with other relevant government and non-government organizations in watershed and catchment management, developing sustainable infrastructure and learning through climate adaptive institutions. The role of research and development in these aspects are critical.

During the financial year 2021/2022, the company surmounted a number of challenges top being high Non- Revenue Water. The company continued to rip dividends by sustaining the re-engineered zonal business management strategies to improve business performance including revenue collection.

My gratitude goes to our esteemed customers, Nairobi City County Government, the National Government agencies directly and indirectly responsible for provision of Water and Sanitation services led by the Ministry of Water & Sanitation and Irrigation and sub-sector agencies including the regulator, Water Services Regulatory Board (WASREB), Water Sector Trust Fund (WSTF) and Nairobi Metropolitan Services (NMS) and other strategic stakeholders including the development partners for unwavering commitment and support during the year. The Board of Directors also wish to thank the management and staff for sustainability of water and sanitation services. We urge all the stakeholders to maintain and enhance the support and collaboration under the clarion call of 'Water for All' in terms of service access and 'All for Water' in terms of responsibility.

Director

V. MANAGING DIRECTOR'S STATEMENT

Introduction

In financial year 2021/2022, Nairobi City Water and Sewerage Company embarked on the third year of its 5th five-year rolling Strategic Plan 2019/2020 to 2023/2024. Guided by this plan, the company aspires to contribute effectively to both international and domestic water and sanitation goals of provision of adequate and quality water for all by the year 2030. Albeit a host of sporadic and frequent challenges, such as spontaneous impact of Corona Virus Disease 2019, climatic change, low water sector investment and high operational costs, the company has continuously evaluated its strategies to respond and align its business approaches to forestall the adverse water and sewerage services interruptions within the city of Nairobi. Below are highlights of performance per directorate during the review period.

Technical Directorate

The core business of the company is depended on the company's agility in maintaining its production chain to effectively process and deliver water to customers and eventual evacuation of the resultant waste water. As a result, the company has in place strategies to respond to both reactive and planned water treatment plants and appurtenances maintenance schedules. In the review period, the company sustained production level by maintaining its raw and treated water supply pipelines, cleaning of screens at the intakes and desilting, timely reactive maintenance of equipment and adhered to preventative maintenance schedules of plant and equipment to ensure optimal performance was sustained. In the review period, 179 million cubic meters of water was produced reflecting no significant difference from 179.35 million cubic meters produced in the 2020/2021.

Focused on increasing water coverage within the city, the company during the review year extended and rehabilitated a total of 25kms of water pipeline. 13kms and 12kms were rehabilitated in both formal and in informal settlements respectively. However, these expansions were shy by 2kms from a total of 27kms of water pipelines extensions and rehabilitations achieved in the previous financial year, where 16km and 11kms of water pipeline extension and rehabilitations was realized in the formal and informal settlements respectively. A total of 22.3kms of sewer line was extended/rehabilitated during the financial year 2021/2022. 14.7kms and 7.6kms being achieved in the formal and informal settlements correspondingly.

Against an annual target of reducing Non-Revenue Water to 36%, the company's NRW performance during the year under review was 46%. However, this was a significant improvement by 4% reduction from 50.19% performance posted in the previous year.

To maintain and ensure compliance of the quality of treated water, laboratories were adequately stocked with necessary detergents and chemicals. Quality monitoring through sampling and testing of both pretreated and post treated water was efficiently carried out as per schedule. Consequently, during the period under review, the quality of water produced complied 100% to both World Health Organization (WHO) and Kenya Bureau of Standards (KeBS) requirements.

Equitable distribution of water to customers was enhanced through the monitoring of the four corridors of water supply through which, an average water supply constancy of 15.83 hours was achieved per supply-demand estimates against target of 15.89 translating to 99% achievement. The company upheld environmental protection through planting trees and conducting security surveillances along the catchment areas.

Commercial Directorate

During the period under review, the company continued to identify and implement suitable service delivery innovations as well as enhancing the existing ones. To optimize on the emerging technology and innovation, the company continued to update its customers' directory with a view of reaching out electronically via mobile phones and post customer bills, disconnection notices and settlement of bills. Further, the Company has adhered to customer service charter through follow up on customer complains resolution within Turn Around Time. The Company has been enhancing migration of its customer base into the new customer management system (BASIS II). As at June 2022, the number of migrated water connections were 241,367. Billing and meter reading efficiencies improved during this period and posted 88% and 89% efficiencies respectively against 81% and 83% attained in the previous year in the same order.

Human Resource and Logistics Administration Directorate

During the period, the company heightened effectiveness of staff by training. 3,583 against the targeted 2,800 number of staff. This translates to 128% performance. This is slightly higher by 5% basing on annual percentage comparison of 113% performance against the target in the previous financial year. It is hoped that the staff who benefited in training will cascade the skills acquired to their peers and hence boost productivity during the next financial year. In consistence with the best practices in water sector world over, the number of staff per 1000 water connections was sustained at 6.

To create supportive work environment and ensure compliancy to Operational, Health and Safety Act (OSHA) 2007, the company procured and issued personal protective clothing to all eligible staff accordingly. Owing to the impact of COVID 19 pandemic and in adherence to the government directive, guidelines and regulations, the company provided all the staffs with masks and Sanitizers and frequently disinfection of office surfaces was carried out as a preventive measure of COVID-19. The company fleet was regularly maintained per schedule and fuelled to sustain effective service delivery.

Financial Services and Strategy Directorate

There was proper budgeting and budgetary control were put in place by adhering to prudent financial management and financial expenditure planning as per the approved annual budget of the financial year 2021/2022. There was great improvement in safe custody and retrieving of financial documents as well as effective use of the company's funds and assets. Control on revenue collected was strengthened, monitored and reconciled daily. Consequently, during the period under review, the company's revenue collection improved by 3.6% from KSh 8.6 billion to Ksh 8.91 billion attained in the financial year 2020/2021 and 2021/2022 respectively.

Planning was effectively conducted through annual monitoring and evaluation of various business units against set targets as envisaged in the annual plans. During the period under review, Quarterly Performance Contract and Water and Sanitation Services Improvement Project (WaSSIP) data were compiled and submitted and annual Water Regulatory Information System (WARIS) data was as well timely submitted.

Information Communication and Technology Directorate

In order to deliver efficiently, the acquisition of computer hardware and software was enhanced and the ICT usage and uptake enhanced. During the period, the company enhanced training of the users on the newly acquired system, BASIS II and upgraded Mobile Meter Assistant (MFA) to Utility Master (UM), an ICT application which has since improved meter reading efficiency to 89% during the period of review from 83% posted in the previous year. To ensure security of data, Offsite Backup, Data Replication (DR) and Cloud Backup implementation was sustained. In this regard, Oracle Financial and Mail are being replicated to the offsite DR center to sustain data security. Research and Development activities were sustained, a research task on staff satisfaction and perception survey was concluded during the period under review. This survey indicated that the company's staff satisfaction level is 76%.

Legal and Company Secretary's Services Directorate

The Company upheld good practice of corporate governance. The Board of Directors which constituted of 11 members conducted their business to deliberate on policy matters. The company ensured that there was regular backup on all the important documents and were safely kept. A performance evaluation of the board was conducted during the period under review.

Managing Director's Directorate

There are seven departments (NRW, Security, Quality Assurance, ISO, Supply Chain, Corporate Affairs, and Liaison Office) that are directly under Managing Director. Performances of NRW and QAD are highlighted above under the technical directorate and the Liaison office majorly deals with coordination of Board of Directors' activities highlighted above. The performance progress of the rest is highlighted below.

Corporate Affairs

The Company enhanced collaborative partnership and network with various stakeholders at National, International and Regional levels. During the period under review, the Company participated in Water and Sewerage Sports Organization (WASCO) games in April 2022 held in

Kisumu. Benchmarking visits were received by the Company from both local water service providers and international interests. In addition, the Company participated in a tree planting exercise at Ndakaini Primary School organized by Kenya Forest Service (KFS).

Supply Chain

In line with Public Procurement and Disposal Act 2015, the Company diligently determined goods and services procured were subjected to the legal requirement procedures before tender advertisements. All tender applications received by the company were subjected to tender opening committee and eventually tender evaluations undertaken. To ensure quality of services, works, services and goods procured conform to the required specifications, an evaluation is usually conducted. Procurement and Disposal committee meets regularly to discuss on the best method of disposing idle assets that may exist in the Company.

Security

Company Infrastructure, Installations and offices were well guarded by the company internal security and outsourced administration police security personnel. Security of assets was reinforced by installed security alarms and CCTV Cameras.

ISO

Following ISO 9001:2015 re-certification during the previous year, during the period under review, the company facilitated and supported an external Quality Management Audit by Kenya Bureau of Standards (KeBS). Arising from this audit, the observed Corrective Action Requests (CARs) were addressed and closed. Training of staff on quality management documentation procedures was conducted as per ISO 9001:2015.

Internal Audit and Risk Management Directorate

To continuously enhance effective performance, the Company has an internal audit and risk management functions that check on implementation and effectiveness of policies, systems and procedures and identifies risks and proposes on how they can be mitigated. This function reports to the office of the Managing Director operationally but technically, it reports to audit and governance Board committee. To enhance corporate governance, during the period under review,

the directorate carried out Corruption Risk Assessment (CRA) and submitted a CRA report together with mitigation plans to Ethics and Anti-Corruption Commission (EACC) on Core mandate of the Organization and on loopholes & risks in various systems in the organization. Further, awareness creation on integrity among staff was enhanced and capacity building to ensure that the entire NCWSC fraternity moved along the same direction on corporate governance related issues.

CONCLUSION

Am pleased to acknowledge and express my gratitude for invaluable support and collaboration by all the stakeholders. In particular, I strongly believe that with the stewardship and leadership of Nairobi City County (NCC), Ministry of Water & Sanitation and Irrigation and our Board of Directors (BoD), the company will achieve better results in coming years. I also salute all the staffs for their commitment, hard-work and determination for continuous improvement in service delivery.

Eng. Nahason M. Muguna
Managing Director

VI. STATEMENT OF PERFOMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

Nairobi City water and Sewerage Company Ltd has identified seven (7) strategic themes within its Strategic Plan for the FY 2019/2020- 2023/2024 in order to enhance the Company's performance and impact on its service delivery, as well as ensure growth and sustainability. These strategic themes are as follows:

i. Water Sources, Treatment, Transmission and Distribution
ii. Waste Water Networks, Conveyance and Treatment
iii. Non-Revenue Water Management
iv. Customer Focus and Stakeholder Engagement
v. Governance and Institutional Capacity Development
vi. Information & Communication Technology (ICT) and other Support Infrastructure
vii. Financial Stewardship

In the 2021/22 financial year, the Company implemented its third year of the current Strategic Plan (2019/20 – 2023/24) Plan as it started recovery path from the adverse effects of COVID-19 pandemic. Overall, the implementation achievement of the Strategic Plan during the 2020/21 FY is estimated at 63%, a progressive improvement from 55% and 57% realized in 2019/20 and 2020/21 respectively as detailed per theme in the table below. During the period under review, the Company submitted KShs. 312 million proposal for the Financial Recovery Plan (FRP) which is the second phase of COVID-19 Conditional Liquidity Support Grant (CLSG II) funded by the World Bank.

Table 1: Three Years' Implementation of 2019/20 – 2023/24 Strategic Plan

Themes	FY 2019/20	FY 2020/21	FY 2021/22	Remarks
THEME 1 -WATER SOURCES, TREATMENT, TRANSMISSION AND DISTRIBUTION	50%	34%	55%	Exploring funding through PPP
THEME 2-WASTE WATER NETWORKS,	31%	46%	48%	

Themes	FY 2019/20	FY 2020/21	FY 2021/22	Remarks
CONVEYANCE AND TREATMENT				
THEME 3-NON-REVENUE WATER	46%	36%	53%	• Funding through AWWDA from French Development Agency (AFD). Procrement in Progress. • NCWSC have actively participated in identification of the areas, planning and joint missions. • Exploring funding through PPP
THEME 4-CUSTOMER FOCUS & STAKEHOLDER ENGAGEMENT	72%	82%	73%	There has been upgrade of the Customer Complaint resolution tool with implementation and review of various workflows
THEME 5-GOVERNANCE AND CAPACITY DEVELOPMENT	64%	39%	73%	
THEME 6-ICT & OTHER INFRASTRUCTURE	48%	75%	77%	
THEME 7-FINANCIAL STEWARDSHIP	74%	89%	63%	Revenue collection was largely affected by COVID 19 restriction during the period.
OVERALL IMPLEMENTATION STATUS	55%	57%	63%	All service delivery was affected by indequate funding and external issues like COVID 19 and climatical change etc.

The Strategic Plan is implemented through the annual Performance Contracts (PC) and the work plans. During 2021/21 FY under review, the implementation of PC was 89% as detailed in the table below which also shows quarterly performances. The performance in the PC is higher than the overall achievement in Strategic Plan as the former has targets that the Company has control of while the latter contains targets mostly relying on external factors, for instance 76% of the overall financial requirements in the strategic plan are from external sources.

Table 2: Summary of 2021/22 Annual and Quarterly Performance Contract Achievement

Period	% Performance	Performance Grade
Q4 (April 2022 – June 2022)	95%	Good
Q3 (January 2022 – March 2022)	87%	Good
Q2 (October 2021 –December 2021)	92%	Good
Q1 (July 2021 – September 2021)	80%	Good
Cumulative (July2021 to June 2022)	89%	Good

VII. CORPORATE GOVERNANCE STATEMENT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

The Company is committed to the standards of good corporate governance. The following disclosures aim at emphasizing this commitment.

ROLE OF THE BOARD

The Board is responsible for:

- Establishing the strategic plan and guiding its implementation.
- Ensuring that appropriate management structures and policies are in place.
- Approving performance targets including budgets and monitoring their achievements.
- Ensuring preparation and presentation of the annual financial statements in accordance with International Financial Reporting Standards and disclosures of other relevant information to shareholders.
- Identifying and mitigating risks and overseeing the implementation of governance processes that promote compliance with legislation, professional standards and the best corporate governance practices promulgated by relevant authorities.

COMPOSITION OF THE BOARD

The Board is composed of eleven non-executive Directors who are appointed by the shareholder in line with applicable provisions. The Board members elect the Chairman. The Managing Director is ex-officio member of the Board with no voting rights. All the non-executive Directors are independent of management.

Roles of the Chair and the Managing Director

The roles of the Chair and the Managing Director are separate, with each holder having distinct and clearly defined duties and responsibilities.

The Chair is responsible for leadership of the Board and ensuring its effectiveness while safeguarding the interests of the shareholder and other stakeholders. On the other hand, the Managing Director has overall responsibility for the performance of the business and provides leadership to management to facilitate successful planning and execution of the objectives and strategies agreed by the Board.

Board meetings/activities

The Board and its committees meet once every quarter as scheduled, but special meetings may be called when need arises. The members are given notices and agenda for all meetings, which are circulated on a timely basis together with the respective documents for discussion. Members of the Board are required to declare any conflict of interest on issues for deliberation and are disqualified from participating in deliberations where such conflict exists.

Board remuneration

i. The directors are entitled to a sitting allowance, lunch allowance and transport allowance for attending a duly convened and constituted meeting of the Board meeting or of any of the committees

ii. The chairperson receives a monthly honorarium.
iii. A sitting allowance is paid to non-executive directors for attending a duly convened and constituted meeting of the Board or of any of the committees.
iv. A sitting allowance is paid to non-executive directors for any day of travel from regular station in order to attend to duties of the company.
v. Medical insurance cover is provided to all non-executive directors for their individual medical requirements for both inpatient and outpatients

A summary of Board meetings and attendance is shown below;

S/No.	Full Board	No. of meetings held during the year	Attended
1.	Beryl Lilian Okumu *(Chair)*	6	5
2.	Abdihakim Kahiya, CBS	6	1
3.	Alan Esabwa Igambi	6	4
4.	Emma Mukuhi Muthoni	6	6
5.	Leonard Munyao Kamba	6	6
6.	Martin Mbichire Kuruga	6	6
7.	Kaigongi Mario Kainga	2	2
8.	Mohamed Abdi Abdullahi	6	6
9.	Timothy Maceru Muriuki *(Vice chair)*	6	5

S/No.	Audit, Risk & Governance Committee	No. of meetings held during the year	Attended
1.	Martin Mbichire Kuruga	5	5
2.	Emmah Mukuhi Muthoni	5	5
3.	Kaigongi Mario Kainga	2	2

S/No.	Technical, Commercial & ICT Committee	No. of meetings held during the year	Attended
1.	Abdihakim Kahiya, CBS	4	0
2.	Alan Esabwa Igambi	4	2
3.	Emma Mukuhi Muthoni	4	4
4.	Leonard Munyao Kamba	4	4
5.	Kaigongi Mario Kainga	0	0
6.	Mohamed Abdi Abdullahi	4	4

7.	Timothy Maceru Muriuki	4	4

S/No.	Finance Committee	No. of meetings held during the year	Attended
1.	Alan Esabwa Igambi	6	1
2.	Mohamed Abdi Abdullahi *(Committee chair)*	6	6
3.	Timothy Maceru Muriuki	6	6

S/No.	Human Resource, Administration & Communication Committee	No. of meetings held during the year	Attended
1.	Abdihakim Kahiya, CBS	3	0
2.	Emma Mukuhi Muthoni	3	3
3.	Kaigongi Mario Kainga	1	1
4.	Leonard Munyao Kamba	3	3
5.	Martin Mbichire Kuruga	3	3
6.	Timothy Maceru Muriuki	3	3

Key achievements for FY2021/2022

Focus for the Board's activities and topics discussed during the year included the following matters:–

i. Consideration and approval of the draft budget for FY2022/23
ii. Consideration and approval of financial statements for FY2020/2021
iii. Consideration and approval of draft procurement plan for FY2022/23
iv. Recruitment of functional directors
v. Continuous monitoring of performance against approved targets, budgets and procurement plans of the Company;
vi. Participation and guidance in the ongoing tariff review;
vii. Review of various policy documents e.g. Workplace Management of Alcohol, Drugs & Substance Abuse (ADSA); Personal Protective Equipment (PPE); Commercial Operations Policy; Finance policy; and
viii. Approval of a Collective Bargaining Agreement.

Board Induction and development

Each director is provided with a comprehensive and tailored induction covering the Company's business and operations; the applicable legal and regulatory obligations; and special focus on corporate governance. In addition, other workshops/trainings were held on corporate governance, Mwongozo, etc.

BOARD COMMITTEES

The Board appoints committees to assist in executing its mandate. The board has four committees as follows

i) AUDIT, RISK AND GOVERNANCE COMMITTEE

The committee is comprised of three (3) board members and the Director Internal Audit and Risk Management who serves as the secretary to the committee.

The Committee reports to the Board of Directors: It is responsible for assisting the Board to discharge its corporate governance responsibilities as follows:

- Internal Control and risk management including reviewing the risk philosophy, strategy and policies recommended by the Company. The Committee ensures compliance with such policies and with the overall risk profile of the Company.
- Reviewing financial information in particular annual financial statements to ensure compliance with accounting standards, legislation and other disclosure requirements.
- Reviewing the external auditors' proposed audit scope and approach and ensuring no unjustified restrictions or limitations have been placed on the scope.
  Reviewing the function, operations and reports of the Internal Audit Directorate

ii) FINANCECOMMITTEE

The committee is composed of 3board members.

The Committee assists the Board in discharging its responsibilities as follows:

- Consider and recommend for Board approval, the financial services policies for the Company.
- Receive and consider progress reports on financial services matters.
- Consider and recommend for Board approval, the financial budgets for the Company.
- Receives and considers periodic financial performance reports of the Company.
- Adjudicates on any financial policy matters referred to it by management.
- Ensures compliance at all times with the provisions of the Companies Act under which the Company is registered, Company's Memorandum and Articles of Association and the prevailing regulatory framework
- Provide advice and counsel to the Board as required on legal issues.
- Advise the Board on measures to be taken in order to comply with legal provisions as provided for by various pieces of legislation

iii) HUMAN RESOURCE, ADMINISTRATION AND COMMUNICATION COMMITTEE

The committee is composed of six (6) board members. It is responsible for assisting the Board to discharge its responsibilities as follows:

- Reviewing and recommending for approval terms and conditions of service for Company employees including compensation philosophy, strategy, and guidelines; performance related pay schemes; retirement benefits;

- Handling policy issues and strategies on human resource and administration e.g. creation of a long term human resource skills and competency reservoir; succession planning; safety and physical working conditions
- Assisting and supporting the Board in the recruitment of senior management staff;
- Assisting the Board in fulfilling its obligations relating to human resource and compensation matters and establish a plan for continuity and development of staff;
- Recommending a performance evaluation process for the Chief Executive Officer and, when approved, leading the process in conjunction with the Board Chair;
- Reviewing major changes in the organization structure as proposed by the CEO and/or the Committee
- Ensuring that policies are developed and implemented to comply with all human resource-related standards, laws and regulations;
- Considering progress reports on human resource and administration issues and keeping the Board updated on fundamental human resource and administration issues affecting the Company;
- Ensuring effective company communication to the public that promotes correct corporate image and good stakeholder relations including the use of exhibitions, technical conferences, Company's publications and documentaries.

iv) TECHNICAL, COMMERCIAL AND ICT COMMITTEE

This is composed of seven (7) non-executive directors. It is responsible for assisting the Board to discharge its responsibilities as follows:

- Reviewing all ICT, technical and commercial proposals from the management team that focus on improving water and sewerage services that would require Board's approval for implementation.
- Subject to all applicable laws, reviewing proposals for procurement of infrastructure, development and support.
- Deliberating on progress reports for projects being implemented by the NCWSC with a view to providing guidance to the management and the Board.
- Considering and recommending for full Board approval ICT, technical and commercial services policies of the Company.
- Receiving and considering periodic progress reports on technical, commercial and ICT-related activities and report on the same to the full Board on quarterly basis.
- Giving guidelines/opinions to the management on areas of improvement as far as ICT, technical and commercial activities are concerned.
- Ensuring, on behalf of the Board, that the Company achieves the set annual targets in water production, water distribution, revenue generation, market growth and customer satisfaction.
- Reviewing the performance of the ICT, Technical and Commercial Directorates and recommending action to be taken for improvement and enhancement of the performance.
- Evaluating reports on the dams, treatment works as well as on the networks of water pipelines and sewer lines on a quarterly basis.

INTERNAL AUDIT FUNCTION

The Company has an Internal Audit function headed by the Director Internal Audit and Risk Management. The function is responsible for evaluating business and operating risks and the internal controls put in place to mitigate the risks. It is also responsible for evaluation of the Company policies and procedures. The function reports to the Board Audit and Governance Committee and administratively to the Managing Director.

COMMUNICATION WITH SHAREHOLDERS/STAKEHOLDERS

The Company is committed to:

- Ensuring that shareholders and stakeholders are provided with full and timely information about its performance.
- Complying with the statutory and regulatory communication requirements.
- Distributing information to the shareholders/stakeholders through the periodic reports and stakeholder forums.

DIRECTORS' BENEFITS AND LOANS

All the non-executive Directors received Directors' remuneration as prescribed and no additional benefits or allowances were given to the Directors. The aggregate amount of Directors' remuneration is disclosed in notes 15 and 31 to these financial statements.

DIRECTOR________________________ DATE: 19th SEPTEMBER 2022

MANAGING DIRECTOR____________________ DATE: 19th SEPTEMBER 2022

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

Company Profile

Nairobi City Water & Sewerage Company (NCWSC) Ltd mandate is to provide clean water and sewerage services to the residents of Nairobi City County, in a financially sustainable manner and within Government regulations and reaches her customers through seven administrative regions, namely Northern, Eastern, North Eastern, Central, Southern, Western and Informal Settlements region. These regions are further sub-divided into 28 sub-business units (zones) and sub-zones.

Structurally, the company is headed by the Managing Director, who reports to the Board of Directors (BOD). The Managing Director provides overall leadership and chairs the Board of Management (BOM) which comprises all heads of eight directorates of the company namely;

i. Technical Directorate

ii. Commercial Directorate

iii. Finance and Strategy Directorate

iv. Directorate of Human Resource and Administration

v. Managing Director's Directorate

vi. Information Communication and Technology Directorate

vii. Company Secretary

viii. Internal Audit and Risk Management Directorate

Under the above named directorates, the company structure is reinforced by several business process units which are headed by respective Business Process Owners (BPOs) with a mandate of overseeing actualization of the company mission.

Broadly, the company operations are anchored on strategic business plan which is normally designed to resonate with the international development frameworks like Sustainable Development Goal (SDG) number six, Kenyan economic blue print -Vision 2030, 2015 National Water Sector Strategy (NWSS) and Nairobi City County (NCC) water development plans and any other existing water and sanitation sector policies. In addition, the Company's annual performance is guided and monitored on quarterly basis through negotiated and signed annual Performance Contract (PC) between the Company and its principal.

KEY PERFORMANCE AREAS 2021/2022

Non- Revenue Water

Non-Revenue Water (NRW) is one of the key efficiency parameters in water utilities. NRW levels continue to be very high across the country. In the 14th Impact Report by the regulator, the national NRW average improved from 47% in 2019/20 to 45% in 2020/21 FY. Similarly, NCWSC performance on NRW improved from 50% in 2019/20 to 48% in 2020/21 as per the WARIS data validated with WASREB. During the year 2021/22, the Company performance on NRW stood at 46% against a target of 36% translating to 78% performance. Strategies and mechanism have been put in place in the 2019/20 – 2023/24 Strategic Plan to address reduction of NRW within the city. More resources have been allocated towards this endeavour.

Water and sewerage Connections

The size of a utility is determined by the total number of water and sewer connections. NCWSC is reported in the impact and other sector reports as the largest utility in the Country. Over the years, the number of water and sewerage connections have been growing. Specifically, the Company is progressively enhancing migration of accounts into the new customer management and billing system (BASIS II). The total active number of water and sewerage connections stood at 241,367 and 184,461 respectively by end of June 2022.

Revenue Collection against Billed Amounts

Collection Efficiency is used to measure the effectiveness of the revenue management system in a utility. Revenue collected, as opposed to amount billed is what impacts on a utility's direct ability to fund its operations. In the period under review, the Company collected 99.6% of the amount billed. The actual amount collected was KShs. 8.91 billion against a billed amount of KShs. 8.95 billion.

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Nairobi City Water & Sewerage Company Ltd (NCWSC) as mandated provides clean water and sewerage services to the residents of Nairobi City County, in a financially sustainable manner recognizing that environmental impact reduction and environmental conservation are crucial priorities in order to achieve universal and equitable access to safe and affordable drinking water for all by 2030.

i. Environmental performance

The purpose of wastewater water treatment and management is to Protection of human health, Environmental protection, Resource recovery.

NCWSC plays a key role in the wastewater management in the following ways:

- Regulation of trade effluent discharge
- Regulation of Private exhausters
- Operation and Maintenance of the sewers
- Offering Exhauster services in non-sewered areas upon request.
- Treatment of the wastewater at the wastewater treatment plants in Ruai & Kariobangi and the Ponds in Karen & Kahawa Sukari

ii. Corporate social Responsibility Statement

Our Corporate social responsibility is driven by the awareness of the need to substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity ,substantially reduce the number of people suffering from water scarcity and improve water quality by reducing pollution, advocating against dumping and release of hazardous chemicals and materials, ensuring total management and treatment of sewerage in our area of operation and globally through sanitation advocacy campaigns.

In view of the above, we have rolled out elaborate coordinated environmental conservation programs aimed at achieving a minimum of 10% plant cover in our region which is a national target as well as averting harsh climatic conditions which if successful will ensure sustainability in provision of water to Kenyans. Indeed, we have partnered with government agencies like the Ministry of water and sanitation, Nairobi Metropolitan Services (NMS), the Water Services Providers Association (WASPA), Kenya Forest Service and other public and private institutions in planting over **1000 No.** trees in our catchment areas in this financial year. We have as well been donating water tanks **(10,000 litres)** to strategic groups such as schools, health facilities and youth and women groups through area Members of the County Assembly (MCAs). This assists in water conservation as well as educating them on the importance of environmental and water conservation.

We endeavor continuing to strengthen our corporate governance structure with the aim of enhancing management transparency and monitoring. Furthermore, we will strive to increase our corporate value through compliance with all laws, regulations and rules governing our corporate activities.

We are aware that corporate responsibility starts with a belief that what you do is important to society. This belief is at the heart of our company.

X. DIRECTORS' REPORT

The Board of Directors was appointed on 19th July 2019.The Board of Directors submits the report for the year ended 30th, June 2022, which shows the state of the Company's affairs.

i. INCORPORATION

The Company is incorporated in Kenya under the Companies Act of the Laws of Kenya. It is a private limited liability Company domiciled in Kenya. It is wholly owned by the Nairobi City County Government.

ii. PRINCIPAL ACTIVITY

The Company provides water and sewerage services in Nairobi and its environs.

iii. RESULTS

The results for the year are summarized below:

	2022	2021
		Restated
	KSHs	KSHs
Surplus for the Year	**(84,714,791)**	**84,574,258**

iv. DIVIDENDS

The Company does not recommend the payment of a dividend in respect of the year ended 30th June2022 as per the provisions of the Water Act 2016, section 131(3).

v. FINANCIAL STATEMENTS

As at the date of this report, there are no circumstances, which would have rendered the values attributed to the assets in the financial statements misleading.

vi. DIRECTORS' BENEFITS

Since the last Annual General Meeting of the Company to the date of this report, no Director has received or become entitled to receive any benefit other than Directors' fees and amounts received under employment contract for the Managing Director. The aggregate amount of emoluments for Directors' services rendered in the financial year is disclosed in notes 15 and 31.

vii. INDEPENDENTAUDITORS

The Auditor-General is the independent auditor in accordance with Article 229 of the Constitution of Kenya, the Public Audit Act, 2015 section 35 and the Companies Act and continues in office.

By order of the Board

Assumpta M. Reuben
Company Secretary

XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act 2015 section 147, The Public Finance Management Act, 2012 section 164 and section 14 of the State Corporations Act requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company, as at the end of the financial year and of its operating results for the year. It also requires the Directors to ensure that the Company keeps proper accounting records, which disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i)Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;(ii)maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii)Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv)Safeguarding the assets of the Company; (v)selecting and applying appropriate accounting policies; and (vi)Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

The company financial statements were approved by the Board of Directors on-___September2022 and signed on its behalf by;

____________	____________
	ENG. NAHASON M. MUGUNA
DIRECTOR	MANAGING DIRECTOR

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON NAIROBI CITY WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Nairobi City Water and Sewerage Company Limited set out on pages 3 to 94, which comprise of the statement of financial position as at 30 June, 2022, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of the Nairobi City Water and Sewerage Company Limited as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and do not comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1.0 Inaccuracies in Revenue Collection

The statement of profit or loss and other comprehensive income reflects operating income balance of Kshs.9,137,627,264 as disclosed in Note 6 to the financial statements. However, the following observations were made: -

1.1. Unreconciled Water Sales

Included in the operating income balance is an amount of Kshs.4,791,324,484 being water sales from piped and prepaid public dispenser systems for consumption of 96,404,533m^3. Recalculation of the sale using the average tariff of Kshs.58.5 per cubic meter, excluding sewer and other charges payable in the year under review revealed that the volume should have resulted in revenue of Kshs.5,639,665,164 resulting in an estimated understatement of Kshs.848,340,680. Further, review of the billings by the Water Services Regulatory Board (WASREB) revealed that a total of Kshs.365,605,090 was charged to the Company being levy charges at a rate of 4% in respect to water, sewer and meter rent to customers resulting to approximately expected revenue of Kshs.9,140,127,259 and not Kshs.8,940,033,877 reflected in the financial statements. The resultant uncollected or undeclared revenue of approximately Kshs.200,093,382, has not been explained.

1.2. Water Losses – Non-Revenue Water

Review of the water production records revealed that the Company produced 192,787,851m^3 volume of treated water. However, records provided by Management indicated that the water produced was 178,526,912m^3 resulting in an unexplained loss of 14,260,939m^3 or approximately Kshs.834,264,906 at the average tariff of Kshs.58.5 per cubic meter, excluding sewerage and other charges payable in the year under review. This is based on the approved water tariffs by Waster Service Regulatory Authority which indicate that the Water Resources Management (WARMA) charges 50 cents per cubic meter for all billed water from the four water sources namely: Ruiru Dam, Chania River, Kikuyu Springs and Sasumua Dam.

Further, the Company billed 96,404,532.71m^3 of water translating to Non-Revenue Water (NRW) of 96,383,318m^3 or 50% of the total water produced resulting in an unexplained loss of projected revenue of Kshs.9,867,242,180 inclusive of sewer and other charges at the rate of Kshs.102.375/m^3. This is above the allowable non-revenue water threshold of 25% as provided in the Water Services Regulatory Board (WASREB).

1.3. Decrease in Billing for Other Services

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects billing for other services from exhausters services, survey fees, sale of sludge, sale of water by tankers, fraud charges and recoveries, claims compensations, reconnection fees, effluent discharges Jisomee customers, loan repayment and grant amortization all totalling to Kshs.197,593,387. This was a reduction by Kshs.150,358,474, or 43% from the amounts realized in the financial year 2020-2021 of Kshs.347,951,861. Management did not provide an explanation on the drastic fall in revenue realized. Although the Company disclosed revenue of Kshs.34,270,674 from Jisomee Mita customers, it was noted that sixty (60) active accounts were sharing meter numbers.

Further, it was noted that the service provider provides the Company with a collection schedule in MS Excel for payments made by customers into their Safaricom Paybill which is then upload into Jisomee Mita system and forms the amount reported in the financial statements. It was, therefore, not possible to confirm the accuracy and completeness of the reported revenue of Kshs.34,270,674.00 collected from Jisomee Mita customers.

1.4. Incorrect Data on Customers Connectivity

Review of the key performance areas disclosed by the Management under water and sewerage connections revealed that the Company's size of utility, active number of water connections was 241,367. However, review of the customers' billing data provided revealed that the Company had 230,152 and 9,787 customers connected to water meters in the formal and informal settlements, respectively. This would have realized an income of Kshs.164,040,150 and Kshs.5,872,200 respectively totalling Kshs.169,912,350 which was at variance with the amount of Kshs.162,886,017 disclosed in Note 6 to the financial statements resulting in an unreconciled variance of Kshs.7,026,334. Further, the Company had 10,937 customers from informal settlements made up of 9,787 active members,125 inactive members and 1,025 pending customers who had not been connected to meters. However, review of the data provided on formal settlements billings revealed that the Company did not disclose information on customers who were inactive and pending. In addition, the Company incurred a loss of Kshs.247,049 as a result of charging 252 customers meter rent rates that were lower than the approved tariff rates.

1.5. Undisclosed Revenue from Effluent Discharge Revenue

The statement of profit or loss and other comprehensive income reflects other incomes amounting to Kshs.382,608,201 as disclosed in Note 8 to the financial statements. The Company records revealed that six hundred and forty-five (645) effluent discharge licenses were issued to private exhausters with an expected revenue collection of Kshs.116,100,000. However, the Company reported income of Kshs.13,290,000 from licensing of thirty (30) private exhausters. This resulted in under collection of revenue amounting to Kshs.102,810,000. Further, review of the billing system revealed that the system inconsistently billed the private exhausters twice or thrice at the rates of Kshs.30,000 and Ksh.45,000 respectively in particular months while the monthly charge of Kshs.15,000 was billed up to seven (7) times in other months. For instance, account 5224124 was billed Kshs.15,000 seven (7) times in the month of July, 2021 and Ksh.30,000 and Kshs.45,000 were billed six (6) times each in February 2022 resulting to unauthenticated outstanding balances.

1.6 Unsupported Exhauster Services Revenue

Review of the tariff rates revealed that the Company charges Kshs.4,000 and Kshs.5,000 per trip for exhauster services in informal and formal sectors, respectively. It was established that the Company has one exhauster, whose revenue records revealed that the exhauster earned revenue totalling to Kshs.244,000. This is despite consumption of 1,787 litres of fuel at a cost of Kshs.220,996 during the year. The exhauster revenue file was not provided for audit. This may have resulted in under-declaration of revenue from the use of the Company's exhauster.

1.7 Unsupported Revenue from Water Tankers

The Company owns thirty-two (32) water tankers which generated revenue amounting to Kshs.13,330,000 in respect of 42,656 cubic meters of water. However, information on the amount of water distributed and fuel consumption by each tanker was not provided for audit. Further, the Company has 12 hydrants to discharge water through water tankers and fire engines. Physical verification revealed that only one hydrant was manned while work orders and work tickets for trucks drawing water from eleven (11) hydrants were not provided for audit verification.

In addition, the Company does not invoice the Nairobi County Council Fire Department for water drawn from the hydrants. Therefore, it was not possible to confirm the amount of water drawn by the fire department during the year under review.

In the circumstances, the accuracy and completeness of the operating income amount of Kshs.9,137,627,264 could not be confirmed.

2.0 Unsupported Standing Order on Outstanding Pension Debt

Review of the receiving account held by the Company at Co-operative Bank of Kenya, reveals that during the year under review, the Company transferred an amount of Kshs.643,000,000 to the Local Authority Pension Trust (LAPTRUST). The Company authorised payment of a standing order of Kshs.3,000,000 per working day to be transferred from the receiving account to the LAPTRUST on 13 July, 2016 in respect of outstanding pension debts. However, Management did not provide evidence of how much has been paid to date and Board minutes approving this transaction.

Further, review of a trust deed provided for audit revealed that the outstanding pension debt inclusive of accrued interest as at 29 June, 2015 was Kshs.591,179,365 which was to be settled in 15 months from 6 July, 2015 to 6 August, 2016 through standing orders of Kshs.2,000,000 per day or Kshs.44,000,000 per month. However, no explanation was provided on how the amount of Kshs.2,000,000 was increased to Kshs.3,000,000 as a daily remittance to the LAPTUST.

In the circumstances, the propriety of the transfer of the Kshs.643,000,000 as standing orders to Local Authority Pension Trust could not be confirmed.

3.0 Unsupported Adjustments

As previously reported, the statement of changes in equity reflects prior year adjustments balance of Kshs.179,830,735 relating to revenue reserves whose listings and aging analysis were not provided for audit. This includes an amount of Kshs.357,125,070 in respect of VAT claims not admissible due to change in VAT Act from zero rate to exempt status. However, due to lack of aging analysis it was not possible to ascertain whether the said balance was affected by the change in the tax regulations. Further, there was no supporting information from the Kenya Revenue Authority (KRA) acknowledging the issue indicated in the financial statements. It was not possible to establish the amount paid from 6 July, 2015 to date from the call account since the bank statements were not provided.

In the circumstances, the accuracy of the adjustments amounting to Kshs.357,125,070 could not be confirmed.

4.0 Inaccuracies and Irregularities in Management of Staff Costs

The statement of profit or loss and other comprehensive income reflects staff costs balance of Kshs.6,087,532,959 as disclosed in Notes 9 to the financial statements. The following anomalies were noted

4.1 Unsustainable Wage Bill

The staff cost balance of Kshs.6,087,532,959 is 57% of the operating income of Kshs.10,647,083,912. This is way above the allowed percentage of 35%. Further, it was observed that basic salaries increased by Kshs.51,506,818 from Kshs.2,967,150,657 to Kshs.3,018,657,475 despite a decrease of ninety-six (96) members of staff. No explanation has been provided on the same.

4.2 Irregular Payment of Bonuses

The Company made a bonus payment of Kshs.22,796,169 as disclosed in Note 9 to the financial statements. This was despite the Company reporting a loss of Kshs.84,714,791. Management did not provide justification for the bonus payment when the Company had made a loss.

4.3 Inaccuracies and Inconsistency in Payment of Leave Allowance

As disclosed in Note 9 to the financial statements leave allowance amount of Kshs.206,350,404 was paid during the year. This amount is at variance with the amount of Kshs.204,755,858 reflected in the payroll and the recalculated amount from payroll of Kshs.252,035,973. However, Management has not provided explanation on the inconsistency between the three (3) sets of records. Further, analysis of payroll data revealed that some officers were paid leave allowance more than once amounting to

Kshs.31,478,248 resulting to an overpayment of Kshs.23,289,957 above the allowed 72% of their monthly basic pay once per year under the Collective Bargaining Agreement.

4.4 Non-Remittance of Retirement Benefits

The staff costs includes an expenditure of Kshs.672,507,106 which comprises of NSSF amount of Kshs.4,522,700, Provident Fund/Pension Fund amount of Kshs.492,425,635 and Gratuity amount of Kshs.175,558,771. However, these amounts have not been remitted to the respective pension funds. These are statutory deductions and the Company risks fines and penalties. The Company has not disclosed contingent liabilities arising from the same.

In the circumstances, the completeness and regularity of the staff costs amounting to Kshs.6,087,532,959 could not be confirmed.

5.0 Unsupported Licensing, Lease and Levy Expenditure

The statement of profit or loss and comprehensive income reflects general and operational expenses balance of Kshs.3,177,281,798 as disclosed in Note 11 to the financial statements. This includes an amount of Kshs.1,424,040,212 in respect of licensing, lease and levy expenditure. However, records and documentation in support of expenditure totalling to Kshs.1,421,443,144 were not provided for audit. Further, analysis revealed that an amount of Kshs.4,825,702 was paid to Water Resources Management Authority being water use charges at Chania river for the period between July and September, 2018. However, Management did not provide invoices in support of the payment.

In addition, the expenditure on licensing, leasing and levy is understated by an amount of Kshs.100,525,777 that was not included in the ledger.

In the circumstances, the accuracy, completeness and regularity of the expenditure amounting to Kshs.1,424.040,212 on licensing, leasing and levy could not be confirmed.

6.0 Unsupported Inventories

The statement of financial position reflects a balance of Kshs.417,742,552 in respect of inventories as disclosed in Note 19 to the financial statements. Review of the stock take report revealed variances between the stores management system, the physical count and the bin cards. Further, the stock sheets did not have the cost price for the stock items.

Further, the Company expensed inventories valued at Kshs.240,179,879 that were issued during the year under review. These included uniforms and sports equipment of Kshs.7,881,685 and Kshs.4,378,496 respectively which were distributed to various staff members. However, the stock issued did not have supporting schedules such as user requisitions and distributions lists were not provided for audit.

In the circumstances, the accuracy, completeness and existence of the balance of Kshs.417,742,552 in respect of inventories could not be confirmed.

7.0 Unsupported Maintenance of Motor Vehicles

The statement of profit or loss and comprehensive income reflects maintenance expenditure of Kshs.316,682,914 as disclosed in Note 12 to the financial statements. Included in this amount is maintenance of motor vehicles amounting to Kshs.49,541,429. However, the amount differed with the ledger amount of Kshs.29,167,758 resulting to an unexplained variance of Kshs.20,373,671.

Further, payment vouchers in support of expenditure of Kshs.41,663,767 were not provided for audit while review of the payment vouchers provided amounting to Kshs.5,466,391 were not supported with documents such as requisitions, inspection reports and entries in the work tickets for the repairs. Various officers were also paid impressts for repairs of motor vehicles amounting to Kshs.4,092,827. However, supporting documents in form of receipts and documented work tickets were not provided for audit.

In addition, three motor vehicles were repaired between 9 and 13 times at a cumulative cost of Kshs.3,588,443 during the year under review which is uneconomical to continue servicing them.

In the circumstances, the accuracy and completeness of motor vehicle maintenance expenses amount of Kshs.49,541,429 could not be confirmed.

8.0 Inaccuracies in Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.753,171,211 as disclosed in Note 21 to the financial statements. The following anomalies were noted: -

8.1 Lack of Analysis in Notes to the Financial Statements

Management did not disclose the bank balance for thirteen (13) bank accounts while the Company reported a cash in hand of Kshs.3,3298,332 which has not been supported by cash count records, cash books and board of survey reports.

Further, the Company disclosed balances in National Bank Account and HFC account of Kshs.680,640 and Kshs.485,548 respectively. However, no bank reconciliations were provided for audit.

8.2 Unbanked and Uncredited Cheques

The cash book balance reflected an amount of Kshs.11,491,731 in respect of Co-operative Bank account while the bank statement reflected a balance of Kshs.6,633,889 resulting to an unreconciled variance of Kshs.4,875,842. In addition, unbanked and uncredited cheques of Kshs.3,325,332 and Kshs.1,529,510 respectively, had not been cleared and no explanation was provided.

8.3 Unsupported Procurement of Collection Services

The Company receives Jambo Pay Services from two (2) Jambo pay accounts with balances of Kshs.7,813,776 and a negative balance of Kshs.523,205 in respect of the Jambo Formal account which has not been explained. However, the Company did not provide contract documents in respect of Jambo Pay services. It was, therefore, not possible to confirm how Jambo pay was engaged and the terms of services.

8.4 Unreconciled Mpesa Account

The Company had an Mpesa account with a balance of Kshs.122,077,399 comprised of utility account balance of Kshs.27,076,687 and working capital balance of Kshs.95,000,712. However, the cash book reflected a balance of Kshs.122,053,728 resulting in an unreconciled variance of Kshs.23,671.

8.5 Undisclosed Cash and Cash Equivalents Balance

Review of records revealed that the Company had a Cellulant account with a cash book balance of Kshs.250,530,323 which has not been supported by bank reconciliation statements and bank confirmation certificates. Further, the balance has not been reported in the financial statements. This understates the cash and cash equivalents balance by Kshs.250,530,323. The Company awarded Cellulant Kenya Limited a contract for provision of service on short code (USSD CODE) and Mpesa on 8 April, 2013 for a period of twelve (12) months which was extended. On 23 August, 2016 the Company and Cellulant Kenya Limited signed another contract for a one-year term with obligations to transfer to the bank account No. 01136001361400 within 24 hours all funds collected.

On 16 May, 2017 the Finance and Strategy Director requested the Company Secretary to invoke contract clauses to commence the termination of contract with Cellulant Kenya Limited for non-remittance of collections. Cellulant, however, pointed out to the Company about pending matters that had not been responded to. It was also noted the Company was operating without a contract. The matter went for arbitration among the parties on 15 July, 2021 and a draft consent was drawn. However, Cellulant rejected the terms of the draft consent indicating that the Company owed it Kshs.142,441,327 by July, 2020, being transactional charges and other services rendered to the Company. The matter remains unresolved and Management has not demonstrated efforts made to resolve the issue.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.753,171,211 could not be confirmed.

9.0 Inaccuracies in Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.3,515,275,456 as disclosed in Note 17 to the financial statements. However, the following anomalies were noted: -

9.1 Inaccuracies in the Property, Plant and Equipment Balance

The balance differs with the balance of Kshs.3,438,435,365 reflected in Note 17 resulting in an unreconciled variance of Kshs.76,840,091.

9.2 Undisclosed and Unsupported Land

The balance excludes land on which the Companys buildings and installation stand such as Nairobi office, Ndakaini Dam, Ruiru Dam, Ngethu Dam, Kabete treatment plant and laboratory and Sasumua which did not have ownership documents. The dams were not completely fenced while the Ndakaini dam land has been encroached by informal settlers who have constructed a recreational centre. Further, ownership documents for a parcel of land at Kariobangi sewerage and two (2) parcels of land at Ruai sewerage measuring 90 hectares and 1,272.90 hectares were not provided for audit. The Company has five hundred and fifty-four (554) parcels of land meant for expansion, storage, water and sewerage treatment works but ownership records have not been provided for audit.

9.3 Failure to Revalue Assets

The balance includes a net book value of Kshs.69,711,940 in respect to motor vehicles and motor cycles. However, review of records revealed that the Company has two hundred and thirty-nine (239) motor vehicles and two hundred and seventy-five (275) motor cycles. However, depreciation was charged on twenty-three (23) vehicles only which were procured in the year 2020-2021 and 2021-2022 resulting to a net book value of Kshs.69,711,940. The balance of sixty-one (61) vehicles and one hundred and sixty-four (164) motor cycles procured at a cost of Kshs.145,720,691 and Kshs.36,520,657 respectively but have not been revalued.

Further, included in the balance is net book value of Kshs.2,023,337,905 in respect to plant and machinery. Analysis revealed that the Company has four hundred and forty-seven (447) plant and machinery. However, depreciation was charged on three hundred and thirty (330) plant and machinery resulting to the net book value of Kshs.2,023,337,905. The balance of One hundred and forty-seven (147) plant and machinery procured at a cost of Kshs.607,290,259 had a zero net book value were still in use and in good condition had not been revalued.

In addition, records provided revealed that the Company has eleven thousand, three hundred and forty (11,340) equipment with a net book value of Kshs.184,601,267. However, only six thousand, five hundred and eighty-two (6,582) equipment were charged depreciation. The balance of four thousand, seven hundred and fifty-eight (4,758) equipment procured in 2014, 2016, 2017 and 2020 at a cost of Kshs.613,280,922 had zero netbook value. This equipment still in use and in good condition have not been revalued.

Similarly, included in the property, plant and equipment balance of Kshs.3,515,275,456 is furniture with a net book value of Kshs.34,192,011. However, only four thousand, two hundred and twenty-three (4,223) pieces of furniture were charged depreciation resulting to the net book value of Kshs.34,192,011. The balance of two thousand, one hundred and sixteen (2116) furniture procured in 2014 at a cost of Kshs.77,903,806 with zero netbook value, in good condition and in use have not been revalued.

9.4 Failure to Depreciate Computer and Related Equipment

Included in the property, plant and equipment balance of Kshs.3,515,275,456 balance is net book value of Kshs.20,344,767 for computer and related equipment. Review of records revealed that although the Company has three thousand, four hundred and sixty-nine (3,469) computer and related equipment only two hundred and sixty-four (264) were charged to depreciation resulting to the net book value of Kshs.20,344,767. The balance of three thousand, two hundred and five (3,205) computer and related equipment procured during the 2016, 2017, 2018 and 2019 annual years at accumulative cost of Kshs.532,934,883 which, though in good condition and in use had zero net book value.

9.5 Capitalization of Work-In-Progress

The property, plant and equipment schedule reflects capitalization of a balance of Kshs.193,616,436 in respect of work in progress whose details and support documents have not been provided for audit.

In the circumstances, the accuracy, completeness, ownership and valuation of the property, plant and equipment balance of Kshs.3,515,275,456 could not be confirmed.

10.0 Unconfirmed Trade Payables

The statement of financial position reflects trade and other payables balance of Kshs.4,362,894,251 as disclosed in Note 27 to the financial statements. Included in this balance is an amount of Kshs.1,702,880,772 and Kshs.2,660,013,479 in respect of trade payables and other payables. However, the following anomalies were noted: -

i. The trade payables balance of Kshs.1,702,880,772 differed with the analysis of Kshs.1,702,837,722 resulting in an unexplained variance of Kshs.43,051;

ii. The payables on comparable basis with the previous year's balance of Kshs.2,391,273,874 reflects an increase of Kshs.1,971,620,377 (or 82%) whose explanation has not been provided. Review of the previous year's audited financial statement revealed that the Management had indicated the LAPTRUST balance of Kshs.208,710,125 which has significantly increased to Kshs.2,236,625,495 resulting to an unexplained amount of Kshs.2,027,915,370 (or 972%);

iii. Note 32 to the financial statements reflects prior year adjustments of Kshs.2,432,396,194 which comprise of trade receivables and other payables amounting to Kshs.195,770,698 and Kshs.2,236,625,495 respectively. Management adopted this balance based on a letter from CPF Financial Services dated 19 October, 2020 which comprise of penalties whose details were not provided for audit;

iv. The statements reflect LAPFUND balance of Kshs.146,623,630 which is a decrease from previous year's balance of Kshs.372,474,790 by Kshs.225,851,160. However, comparison with The National Treasury records revealed that the Company owed LAPFUND a balance of Kshs.272,237,697 after paying an amount of Kshs.225,000,000 which is at variance with the balance of Kshs.146,623,630 and payment of Kshs.225,851,160 resulting in unexplained or unreconciled variance of Kshs.90,614,067 and Kshs.851,160 respectively;

v. The trade and other payables balance of Kshs.4,362,894,251 includes long outstanding payables to Water Services Regulatory Board and Water Resource

Management Authority amounting to Kshs.877,886,195 and Kshs.368,748,349 respectively.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.4,362,894,251 could not be confirmed.

11.0 Unsupported Customers with Credit Balances

The statement of financial position reflects customers with credit balances of Kshs.308,447,036 as disclosed in Note 28 to the financial statements which relates to customers whose accounts were overpaid and issued with credit notes due to overbilling. However, no explanation was given on how the overbilling arose and measures Management has put in place to avert the recurrence of the overbilling. Further, Management did not support the credit balances with evidence in respect of complaints from the customers.

In the circumstances, the accuracy and completeness of credit balances of Kshs.308,447,036 could not be confirmed.

12.0 Unsupported Provisions for Doubtful Debts

The statement of financial position reflects trade and other receivable balance of Ksh.3,317,669,639 as disclosed in Note 20 to the financial statements. Management did not provide explanation on the increase of the allowance for credit loss by Kshs.170,943,658 from Kshs.6,792,610,184 reported in the financial year 2020/2021 to Kshs.6,963,553,842 during the financial year 2021/2022. According to the Finance Policy, general provisions for bad debts shall be made based on Director's valuation of trade receivables which although not specifically identified are known from experience to be present in the trade receivables. However, the Director's valuation on the general provisions made was not provided. Further, scrutiny of the billing system revealed that the system cannot recall the correct balances of total billing of the accounts at any date in prior period since the system has a design flaw that does not capture and recall transactions of previous dates.

In the circumstances, the accuracy and completeness of trade and other receivables balance of Ksh.3,317,669,639 could not be confirmed.

13.0 Undisclosed Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive incomes reflects a loss of Kshs.84,714,791 up from the loss of Kshs.8,545,681,252 reported in the previous financial year. The Company had current assets balance of Kshs.4,488,582,401 and current liabilities balance of Kshs.5,976,930 resulting in a negative working capital balance of Kshs.1,488,347,287 or working capital ratio of 0.8. The Company's debt ratio (total liabilities/ total assets) stood at 111.7% an indication that the Company's assets are funded by debts and not equity. Further, the Company had accumulated loss of Kshs.8,545,681,252 of the total reserves made up of a deficit balance of Kshs.84,714,791 in respect of the current financial year and Kshs.8,460,966,460 in respect of deficit brought forward from the previous periods. This was at variance with the prior year audited financial statements negative balance of Kshs.6,015,045,881 resulting to an unreconciled and unexplained variance of negative reserves balance of Kshs.2,445,920,580.

This situation indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not adequately disclose this fact.

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

Emphasis of Matter

Contingent Liability

Note 37 to the financial statements reflect contingent liabilities totalling to Kshs.6,594,745,836 (2022-2021 Kshs.5,640,150,798) which comprised of pending suits and disputed claims arising from debts inherited from Nairobi City County in which the Company has been enjoined as a defendant among others. The likely outcome of these matters cannot be determined. Review of legal documents revealed that as a result of trade unions cases, the Company has been taken to court regarding nine (9) legal cases. This therefore led to hiring of advocates whose fee notes and charges were not provided for audit. Further, and as previously reported in the financial statements for Nairobi Sanitation Output Based Aid Project had reported a pending arbitration dispute between a contractor and the Company in respect to the Project but Management had failed to pay the contractor an advance payment balance of Kshs166,224,772 as agreed in the contract terms. The contractor had completed the project as at the time of audit carried out in the month of September, 2022. The probability of the contingent liability materializing is high and the Company is exposed to loss of funds due to payment of litigation costs.

My Opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the period reflects original budget and actual on comparable basis of Kshs.13,217,229,050 and Kshs.10,647,083,912, respectively resulting in an underfunding of Kshs.2,570,145,138 (or 19%) of the budget. Similarly, the Company spent an amount of Kshs.10,731,798,703 against actual expenditure of Kshs.10,647,083,912 resulting in an over expenditure of Kshs.84,714,791 or 5%. The explanation from the Management for the underperformance was a result of under collection of own generated revenue. However, the measures on how the own generated revenue could be increased have not been articulated.

The underfunding affected the planned activities and impacted negatively on service delivery to the public as a result the public did not receive the services they deserved through un-implemented projects.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. The report on progress on follow-up of the auditor recommendations in the financial statements for the year under review indicates that some of the issues had been resolved and work to resolve the remainder was ongoing as at 30 June, 2022 and the actual status of all the issues will be confirmed after they are discussed by the County Assembly.

Other Information

The Directors are responsible for the other information. The other information comprises the Report of Directors as required by the Companies Act, 2015, and the Statement of the Directors' Responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date.

In connection with the audit of the 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 the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that there is 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 I do not express an audit opinion or any form of assurance thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Non-Payment of Debts Due to Related Parties

The statement of financial position reflects amounts due to related parties of Kshs.7,605,747,370 and Kshs.924,974,692 as disclosed in Note 30 to the financial statements. The Company had entered into a tripartite agreement with the defunct City Council of Nairobi and Athi Water Services Board in April, 2004 for assignment of all water and sewerage fixed assets and infrastructure to the Company for a consideration of 20% of the total revenue collected during the period upto 2014/2015 and at a flat tariff rate of Kshs.794,950,584, Kshs.912,974,692 and Kshs.924,974,692 for the years 2015/16, 2016/17 and 2017/18 respectively. The Board has continued to issue current invoices using the rate gazetted in respect of year 2017/2018 pegged on loans purported to have been taken by the Athi Water Service Board on installation of equipment. However, the Company has not provided any documentation to support the amount of loan taken on their behalf and what the funds were used for. The Company only paid an amount of Kshs.2,809,221 during the current year. Further, the assigned assets and infrastructure have not been valued and, therefore, the basis of settling the lease payments remains undetermined.

In addition, an amount of Kshs.1,824,500 was reclassified from fees payable to Athi Water Works Development Agency in respect of inherited debts from Nairobi City County. However, no supporting documentation was provided to confirm the reclassification.

In the circumstances, Management was in breach of the tripartite agreement.

2.0 Incomplete Projects

Review of records provided by the Company revealed that thirty-seven (37) projects with a total contract cost of Kshs.2,540,884,097 had not been completed within the stipulated period. Physical verification on some of the project revealed that the contractors were not on site exposing the projects to vandalism.

In the circumstances, value for money may not have been realized from implementation of the projects.

3.0 Wasteful Expenditure on Electricity

The statement of profit or loss and comprehensive income reflects general and operational expenses balance of Kshs.3,177,281,798 as disclosed in Note 11 to the financial statements. Included in this expenditure is electricity expenses balance of Kshs.311,875,967. Review of records and physical verification revealed that the Company has its main sewer treatment plant in Ruai which uses physical and biological treatment and runs the Kariobangi sewer which uses mechanical system of treatment through filters wth a capacity of sixteen (16) of filters. However, only two (2) were functioning at the time of audit. The Kariobangi sewer has intercepted part of the sewer from the Ruai main line. This system has a capacity of 32,000,000 cubic meters of waste water per day. However, it was observed that it only produces 19,000 cubic meters of waste water per day therefore underperforming by 13,000 cubic meters per day. No explanation was provided for under utilization of the sewer plant. Further, Kariobangi

Plant incurred electricity expense totalling to Kshs.1,565,149 compared to the Ruai Treatment Plant expenses of Kshs.84,577. Had the sewer not been intercepted irrespective of the underutilization and underperformance, then the Company could have saved an amount of Kshs.1,565,149 spent on Kariobangi sewer.

No explanation was obtained from the Management on excessive expenditure in respect of electricity in Kariobangi sewer whose services would be offered cheaply at Ruai sewer.

In the circumstances, there was no value for money in the expenditure on electricity.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1.0 Inadequate Customer Management and Billing Controls

Review of records revealed that payments totalling to Kshs.71,359,723 had been made on a contract for the supply, delivery, installation, testing and commissioning of a customer management and billing system priced at USD.1,192,596 (equivalent to Kshs.122,774,419). Although, the system was in use during the year under review, the non-disclosure and service-level agreements signed with the vendor were not provided for audit. As a result, the existence of the contracts and related confidentiality safeguards and maintenance service requirements could not be confirmed. Further, scrutiny of the billing system revealed that the system cannot recall the correct balances of total billing of the accounts at any date in prior periods.

In the circumstances, the effectiveness and the integrity of information processed through the systems cannot be assured.

2.0 Failure to Maintain a Proper Asset Register

The Company reported property, plant and equipment balance of Kshs.3,515,275,456 relating to buildings, machinery, vehicles, equipment, computer and related equipment, furniture and fittings. However, a fixed asset register that records all capitalized assets and details of each asset as date of purchase, description including model and serial number, asset cost, depreciation and net book value was not provided for audit. Verification of the assets in sampled stations revealed that the assets were not tagged for easy of tracing.

In the circumstances, the correctness, existence and completeness of the assets of the Company could not be confirmed while untagged assets are not easy to trace and are susceptible to loss and theft.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;

ii. In my opinion, adequate accounting records have not been kept by the Company, so far as appears from the examination of those records; and,

iii. The Company's financial statements are not in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

CPA Nancy Gathungu, CBS
<u>AUDITOR-GENERAL</u>

Nairobi

13 June, 2023

XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30th JUNE 2022

	Note	2022	2021
			Restated
REVENUE		Kshs	Kshs
Operating Income/Revenue	6	9,137,627,264	8,894,796,004
Grant Income	7	1,126,848,447	1,214,952,909
Other Income	8	382,608,201	**571,286,777**
Total		**10,647,083,912**	**10,681,035,690**
EXPENSES			
Staff costs	9	6,087,532,959	6,316,749,776
Board Expenses	10	93,102,484	35,198,346
General & Operational expenses	11	3,177,281,798	2,827,357,815
Maintenance expenses	12	316,682,914	272,398,254
Other expenses	13	987,310,125	1,046,136,286
Total		**10,661,910,280**	**10,497,840,477**
Surplus Before Interest & Tax		**(14,826,368)**	**183,195,213**
Finance costs	14	69,888,423	98,620,955
SURPLUS BEFORE TAX	**15**	**(84,714,791)**	84,574,258
Net deficit/surplus for the year		**(84,714,791)**	**84,574,258**

XIV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

ASSETS	NOTE	2022	2021
			Restated
NON- CURRENT ASSETS		**Kshs**	**Kshs**
Property, plant and equipment	17	3,438,435,365	3,309,420,840
Intangible assets	18	76,840,091	114,975,703
		3,515,275,456	**3,424,396,543**
CURRENT ASSETS			
Inventories	19	417,742,552	465,768,643
Trade and other receivables	20	3,317,669,639	2,992,842,094
Cash and Cash equivalents	21	753,171,211	585,121,860
		4,488,583,402	**4,043,732,597**
TOTAL ASSETS		**8,003,858,858**	**7,468,129,140**
CURRENT LIABILITIES			
Trade and other payables	27	4,362,894,251	2,391,273,874
Customers with credit balances	28	308,447,037	266,702,512
Provisions for Leave	29	231,327,476	191,252,411
Borrowings	26	149,287,233	68,522,564
Amounts due to related parties	30	924,974,692	924,974,692
		5,976,930,689	**3,842,726,053**
NET ASSETS		**2,026,928,169**	**3,625,403,087**
SHAREHOLDERS' FUNDS AND LIABILITIES			
CAPITAL AND RESERVES			
Share Capital	22	100,000	100,000
Revenue Reserve	23	(8,545,681,252)	(6,028,570,267)
Capital Grant	24	1,631,290,528	1,642,978,883
		(6,914,290,724)	**(4,385,491,384)**
NON-CURRENT LIABILITIES			
Customer deposits	25	1,101,366,075	1,024,687,575
Borrowings	26	234,105,448	302,624,997
Amounts due to related parties	30	7,605,747,370	6,683,581,899
		8,941,218,893	**8,010,894,471**
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		**2,026,928,169**	**3,625,403,087**

The financial statements on pages 9 to 101 were approved by the Board of Directors on 19th September 2022.

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Director

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CPA Paul E. Omondi
Finance & strategy Director

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Eng. Nahason M. Muguna - Managing Director

XV. STATEMENT OF CHANGES IN EQUITY AS AT 30TH JUNE2022

	Notes	Share	Revenue	Capital	Restated
		Capital	Reserve	Grant	Total
		Kshs	Kshs	Kshs	Kshs
As at 30th June 2020		100,000	(5,933,313,790)	1,493,461,141	(4,439,752,649)
Prior year adjustments	32		(179,830,735)		(179,830,735)
Restated balance		100,000	(6,113,144,525)	1,493,461,141	(4,619,583,384)
Amortization				(193,775,766)	(193,775,766)
Additions for the year				343,293,508	343,293,508
Surplus for the year	15		84,574,258		84,574,258
As at 30th June 2021		**100,000**	**(6,028,570,267)**	**1,642,978,883**	**(4,385,491,384)**
Prior year adjustments	32		(2,432,396,194)		(2,432,396,194)
Restated balance		100,000	(8,460,966,460)	1,642,978,883	(6,817,887,578)
Amortization				(193,775,766)	(193,775,766)
Additions for the year				182,087,411	182,087,411
Surplus for the year	15		(84,714,791)		(84,714,791)
As at 30th June 2021		**100,000**	**(8,545,681,252)**	**1,631,290,528**	**(6,914,290,724)**

XVI. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30th JUNE 2022

	NOTE	2022	2021
Operating activities:		Kshs	Kshs
Cash generated from operations	33	682,756,468	970,254,242
Interest paid	14	(69,888,423)	(98,620,955)
Net cash generated from operating activities		612,868,045	871,633,287
Cash flow from investing activities:			
Purchase of property, plant and equipment	15	(639,151,225)	(406,973,967)
Purchase of intangible assets	16		(115,779,352)
Net cash used in investing activities		(639,151,225)	(522,753,319)
Cash flow from financing activities:			
Proceeds from long-term borrowings		90,860,253	
Proceeds from financing assets	24	182,087,411	343,293,506
Repayment of long-term borrowings		(78,615,133)	(309,855,941)
Net cash generated from financing activities		194,332,531	33,437,565
Net increase/(decrease) in cash and cash equivalents		168,049,351	382,317,533
Movement in cash and cash equivalents:			
As at 1st July		585,121,860	202,804,327
Increase		168,049,351	382,317,533
As at 30th June	21	753,171,211	585,121,860

XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2022

	Original budget	Actual on comparable basis	Performance difference	%
	2021/2022	2021/2022	2021/2022	2021/22
REVENUE				
Water	7,056,336,750	4,791,324,484	2,265,012,266	-32.1
Sewerage	5,253,181,600	3,985,823,376	1,267,358,224	-24.13
Meter Rent	207,710,700	162,886,017	44,824,683	-21.58
Other income	450,000,000	773,977,354	(323,977,354)	72.99
Operating Income	12,967,229,050	9,714,011,231	(3,253,217,819)	-25.08
Grant Income	250,000,000	933,072,681	(683,072,681)	273.23
TOTAL REVENUE	13,217,229,050	10,647,083,912	2,570,145,138	-19.45
EXPENDITURE				
Staff Costs	6,375,076,218	6,087,532,959	287,543,259	4.51
Board Expenses	94,500,000	93,102,484	1,397,516	1.5
Operations	3,357,758,999	3,177,281,798	180,477,201	5.35
Maintenance	545,500,000	316,647,129	228,852,872	41.95
Financing Costs	106,900,000	69,888,423	37,011,577	34.62
Other Expenses	873,522,000	987,310,124	(113,621,307)	-13.01
TOTAL OPERATING EXPENSES	11,348,757,218	10,731,798,703	616,958,515	5.44
NET INCOME	1,868,471,831	(84,714,791)	(1,953,186,622)	-104.53

XVIII. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

1. General information

Nairobi City water and sewerage Company Ltd is established by and derives its authority and accountability from water Act and the companies act laws of Kenya. The entity is wholly owned by the Nairobi City County Government and is domiciled in Kenya. The entity's principal activity is provision of water and sewerage 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 are prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS). The financial statements are prepared under the historical cost basis of accounting except for the measurement at re-valued amounts of certain items of property, plant and equipment and presented in the functional currency, Kenya Shillings (Kshs) rounded to the nearest Shilling.

The preparation of financial statements in conformity with IFRSs allows the use of estimates and assumptions. It also requires Directors to exercise their judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment and complexity, or where assumptions and estimates are significant to the financial statements are disclosed in note 4 below.

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

Going Concern

The financial performance of the company is set out in the Director's report and in the statement of comprehensive income. The financial position of the company is set out in the statement of financial position. Disclosures in in respect of risk management are set out in note 38.

Based on the financial performance and position of the company and its risk management policies, the directors are of the opinion that the company is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.In making this assessment, the Directors consider a wide range of information relating to present and anticipated future conditions, including future projections of profitability, cash flows and other resources.

The company has put in place a new billing system to enhance growth of our billing and collections and also enhance controls in revenue management.

The company has also applied for a tariff review which is at an advanced stage of approval by the Water Services Regulatory Board. The current tariff was last reviewed in November 2015 and was to be in use for 3 years.

The NCWSC is already implementing the non-revenue water reduction strategies which are being fast tracked to improve on our revenue growth.

3. Application of new and revised international financial reporting standards (IFRS)

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41	The amendments are effective for annual periods beginning on or after January 1, 2022.

(issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	on fair value measurement with those in other IFRS	Early application is permitted.

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
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. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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

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

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2021/2022

4. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied over the years unless otherwise stated:

a) Property, plant, equipment and depreciation

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment in value.

Subsequent costs are included in the assets' carrying amount or recognized as separate assets as appropriate, only where it is probable that future economic benefits associated with the item will flow to the Company and the cost of the items can be measured reliably. All other repairs and maintenance costs are charged to the income statement in the financial year in which they are incurred.

Property, plant and equipment acquired under hire purchase agreements and finance lease hire arrangements are capitalized at the date of the agreement. The interest element of each installment is charged to the income statement at the time each installment falls due.
Depreciation is calculated on the straight line basis, at annual rates estimated to write off carrying values of the property, plant and equipment over their expected useful lives. Depreciation charge is prorated from the date of purchase and recognized both in the year of asset purchase and in the year of asset disposal. The rates used are:

Asset Class	Rate
Buildings & civil works	2.5%
Plant & Machinery	12.5%
Motor Vehicles, including motorcycles	25%
Equipment	12.5%
Computer & Related Equipment's	30%
Furniture & Fittings	12.5%

Freehold land and capital work in progress/Construction in progress are not depreciated.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets fair value less costs to sell and value in use.
If any such indications exist and where the carrying values exceed the recoverable amount, property, plant and equipment are written down to their recoverable amounts.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating surplus / (deficit).

b) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, trade and other receivables, trade and other payables and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

c) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of the entity's activities. The following specific recognition criteria must be met before revenue is recognized.

i) Provision of water and sewerage services

Revenue from provision of water and sewerage services is recognized when these services are delivered to customers and billed by the Company. The billing is done on monthly billing cycle based on the units consumed as read on the customer water meters and as per approved consumer tariff. If the meter reading is not available, the consumption between the last meter reading and the end of billing cycle is estimated.

ii) Meter rent income

Meter rental income is recognized on monthly basis after water meters are installed at the customers' premises. This is based on the approved tariff by water services regulatory board.

iii) Other income

This includes sale of tender documents, exhauster services, effluent discharge fees, sale of sludge, fraud charges, claims compensation, survey fees etc.

Other income is recognized when the service has been provided and billed.

iv) Grants

Income grants are recognized in the statement of comprehensive income in the year in which the entity actually receives such grants.

v) 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.

d) Intangible assets

The costs incurred to acquire and bring to use specific computer software licenses are capitalized. The costs are amortized on a straight line basis over the expected useful lives (3 1/3 years) at the rate of 30% per year.

e) Amortisation and impairment of intangible assets

Amortisation 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 recognised so that the asset is written down immediately to its estimated recoverable amount.

f) Inventories

Inventories are valued at the lower of cost and net realizable value.

Cost is determined on a weighted average cost basis. Provisions are made for all anticipated inventory losses and charged to the income statement.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

g) Foreign currency transactions

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings.

Transactions during the year are converted into Kenya Shillings at rates ruling at the transactions dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the income statement in the period in which they arise.

h) Trade and other receivables

Trade and other receivables are recognized at anticipated realizable value less an allowance for any uncollectible amounts.

General provisions are made based on directors' valuation of the trade receivables and other exposure in respect of losses, which, although not specifically identified, are known from experience to be present in the trade receivables.

Specific provision is made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success.

i) Employee benefits

i) Pension obligations

The Company operates a defined contribution retirement benefit scheme for employees on permanent terms of service administered in three different forms: National Social Security Fund, a Provident Fund and a pension fund. These schemes are funded by contributions from both the Company and employees.

The Company's contributions to the schemes are charged to the income statement in the year to which they relate.

ii) Other employee entitlements

Employee entitlements to gratuity are recognized when they fall due. These entitlements are provided for on annual basis in accordance with the annual contracts. Employees' entitlements to annual leave are recognized as they accrue.

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognized as an expense accrual.

j) Capital grant

Grants received for capital assets are credited to the capital grant account net of amortization, which is released to the income statement over the expected useful life of the relevant asset on a straight line basis.

k) Provisions

Provisions are recognized when the Company has legal or constructive obligations as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognized in the balance sheet but are disclosed unless they are remote.

l) Taxation

No tax will be provided in view of the nature of the company's business as explained in note 16.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand. Bank account balances include amounts held at various Commercial Banks at the end of the reporting period.

n) Trade and other payables

Trade and other payables are stated at their nominal value as adjusted for interest on overdue accounts.

o) Leases

Operating lease payments for use of assets belonging to the Nairobi City County Government payable to the Athi Water Service Board are recognized as an expense in the income statement and are based on the guidelines from Water Service Regulatory Board.

Rental payments are recognized as expenses in the income statement when they are incurred.

p) Interest bearing borrowings

All borrowings are recognized at cost. Borrowing costs are expensed as finance costs.

q) Revenue reserve

Surpluses / (deficits) from the statement of comprehensive income are accumulated in the revenue reserve account on an annual basis.

r) Customer deposits

Deposits from customers are recognized when received. Interest on the deposits is accrued at 3% per annum.

s) Related parties

In the normal course of business the Company enters into transactions with related parties. The related party transactions are at arm's length.

t) Provision for overtime

The Company provides for overtime payment for hours worked in excess of those specified in the terms of contracts for employees in grade 6 -9. This is computed at a rate of one and half times for normal working days and twice for a normal rest day or a gazetted public holiday. Overtime expense is recognized when claimed and approved.

u) Budget information

The original budget for FY 2021-2022 was approved by the Board of Directors on 3rd June 2021. 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. Accordingly, the Company recorded additional appropriations of budget following the governing body's approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under budget comparison of these financial statements.

v) Comparative figures

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

w) 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, 2022.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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.

i) Critical accounting estimates and assumptions

Property, plant and equipment; Intangibles and Capital grant and amortization of intangibles and capital grant.

Critical estimates are made by Directors in determining depreciation and amortization rates for property, plant, equipment, intangibles and capital grant. The rates used are set out in note 4(a), 4 (d) and 4 (e) above.

ii) Critical judgments in applying the entity's accounting policies

In the process of applying the Company's accounting policies, Directors have made judgments in determining:

The classification of financial assets and leases.
Whether assets are impaired.
Provisions and contingent liabilities.
Presentation of financial statements.

6. OPERATING INCOME

	2022	2021
	Kshs	Kshs
Water sales	4,791,324,484	4,667,347,991
Sewer services	3,985,823,376	3,718,868,570
Meter rent	162,886,017	160,627,581
Billing for other services	197,593,387	347,951,861
	9,137,627,264	**8,894,796,003**

Other billing services income comprises income from exhauster services rendered, survey fees, sale of sludge, sale of water by tanker, fraud charges and recoveries, reconnection fee, effluent discharge license fee, chemical analysis fee, sewer connection charges, jisomee customer loan repayments.

7. GRANT INCOME

	2022	2021
	Kshs.	**Kshs**
Operational grants from other agencies	933,072,681	1,000,000,000
Capital grants amortized/Grant Amortization	193,775,766	193,775,766
In Kind contribution (NMS)		21,177,143
Total	1,126,848,447	1,214,952,909

The Company received grant/funding from World Bank as Conditional Liquidity Support Grant (CLSG) (kshs 933,072,681); 2021 (kshs 1,000,000,000).

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2021-2022
WSTF	933,072,681	00		933,072,681	933,072,681
KURA	000	00	53,412,413	53,412,413	53,412,413
KENHA			62,088,743	62,088,743	62,088,743
UNICEF			66,586,255	66,586,255	66,586,255
Total	**933,072,681**	**182,087,410**	**182,087,411**	**1,115,160,091**	**1,115,160,091**

8. OTHER INCOME

	2021-2022	2020-2021
	Kshs	Kshs
Insurance compensation	108,994,738	13,184,349
Bad debts recovery	268,094,155	540,110,847
Rental income	82,825	115,765
Other non-billing income	5,436,483	17,875,816
Total	**382,608,201**	**571,286,777**

9. STAFF COSTS

	Note	2022	2021
			Restated
		Kshs	Kshs
Salaries and wages		3,018,657,475	2,967,150,657
House allowances		784,988,058	807,720,741
Leave allowances		206,350,404	203,786,063
Bonus		22,796,169	22,869,000
Overtime		359,762,037	318,275,860
Retirement benefits	34	672,507,106	1,054,519,352
Other allowances		590,175,443	607,711,883
Medical expenses		362,070,636	313,110,769
Leave pay provision		40,075,065	0
Welfare		30,150,566	21,605,451
		6,087,532,959	6,316,749,776

The average number of employees at the end of the financial year was3,143, (2021:3,239. The average per category is indicated below;

Grade	Category	Average Number 2022	2021
1	Managing Director	1	1
2	Functional Directors	2	4
3	Departmental/Regional managers	29	30
4	Co-ordinators	109	114
5	Officers	197	204
6	Supervisors	568	588
7	Unionizable staff	662	695
8	Unionizable staff	1,466	1,491
9	Unionizable staff	109	112
Grand Total		**3,143**	**3,239**

10. BOARD EXPENSES

Description	2022	2021
		Restated
	KShs	KShs
Chairman Honoraria	1,044,000	1,131,000
Sitting allowances	16,131,441	10,207,600
Medical Insurance	829,302	992,663
Induction and Training	8,602,560	0
Travel and accommodation	66,495,181	22,867,083
Total Board Expenses	**93,102,484**	**35,198,346**

11. GENERAL AND OPERATIONAL EXPENSES

	2022	2021
		Restated
	Kshs	Kshs
Chemicals	183,760,577	252,590,154
Office supplies	38,704,352	35,052,800
Tyres and related accessories	21,471,698	12,493,814
Fuel, oil and lubricants	99,750,317	97,667,690
Uniforms and protective clothing	23,378,017	18,797,085
Electricity	311,875,967	292,235,753
Telecommunications	56,585,077	52,192,304

Postal and couriers	529,810	328,610
Water and conservancy	891,700	2,406,158
Insurance	118,613,347	74,081,795
Rent and rates	75,306,541	79,718,200
Hire of equipment and Vehicles	2,434,900	2,107,313
Claims, damages and compensation	85,945,825	141,703,145
Traveling and subsistence- local	245,017,193	139,549,745
Bank charges	8,093,614	8,516,503
Traveling and subsistence- External	60,018,051	13,561,910
Staff development	185,449,983	70,123,751
Security	72,356,630	71,729,984
Commissions	1,688,760	2,668,465
Publicity and advertising	4,493,308	4,391,660
Donations/Corporate Social Responsibility	200,000	0
Sports and recreation	47,070,845	8,432,784
Library	35,593	0
AGM Expenses	0	1,000,000
Audit fees	3,552,830	3,552,830
Legal fees	32,801,679	19,962,859
Consultancy	1,835,838	8,470,378
Licensing, lease and levy	1,424,040,212	1,365,078,727
Stakeholders expenses	71,379,134	48,943,038
Total	**3,177,281,798**	2,827,357,815

12. MAINTENANCE

	2022	2021
	Kshs	Kshs
Ground	8,664,002	113,721
Plant and machinery	37,998,549	27,554,090
Buildings	6,220,737	3,134,446
Equipment	17,868,078	13,308,717
Motor vehicles	49,541,429	40,226,174
Furniture and fittings	315,552	13,832
Software	9,196,789	4,584,967
Water fittings and accessories	172,210,085	173,646,925
Water meters	14,667,693	9,815,382
Total	**316,682,914**	**272,398,254**

13.OTHER EXPENSES

	Note	2022	2021
		Kshs	Kshs
Provision for bad and doubtful debts	18	439,037,813	560,510,258
Depreciation of property, plant and equipment	15	510,136,699	475,702,475
Amortization of intangible assets	16	38,135,612	9,923,554
Total		**987,310,124**	**1,046,136,286**

14.FINANCE COSTS

	2022	2021
	Kshs	Kshs
Interest on loan	44,087,687	74,105,665
Interest on overdraft	0	241,403
Interest on deposits	25,800,736	24,273,887
Total	**69,888,423**	**98,620,955**

15.SURPLUS BEFORE TAX

	2022	2021
	Kshs	**Kshs**
The surplus before tax is stated after charging:		
Depreciation of property, plant and equipment	510,136,699	475,702,475
Amortization of intangible assets	38,135,612	9,923,554
Directors' emoluments:		
-Fees	93,102,484	35,198,346
-Other emoluments		
Auditors' remuneration	3,552,830	3,552,830
Retirement benefits	672,507,106	1,054,519,352
Interest expense	69,888,423	98,620,955
And after crediting:		
Other income	**(580,201,588)**	**(919,238,638)**

16. TAXATION

As earlier reported in the previous years, the Directors in terms of IAS 1 declare that the financial statements present a fair view of the Company's financial position; financial performance and cash flows and that they have complied with applicable International Accounting Standards and interpretations. However, the Company has in terms of IAS 1 paragraphs 13 to 22 departed from the requirements of IAS 12 in order to have a fair representation of its tax liability status for the following reasons:

(i) The Company is wholly owned by Nairobi City County, a County Government. The Company Operations are under the County Government and as per the provisionof the Constitution **FOURTH SCHEDULE** *(Article 185 (2), 186 (1) and 187 (2))*. It is principally a vehicle used by Nairobi City County and Nairobi Metropolitan Services (NMS)to deliver services as per the county government Act and the deed of Transfer. According to the 1st schedule paragraph 8 of the Income Tax Act (ITA), the income of a County Government is exempted from the provisions of ITA. Any surplus arising thereon is re-invested in the water services infrastructure for development and enhancing sustainability as provided in water at 2016.

17. PROPERTY, PLANT AND EQUIPMENT

According to the Tripartite Agreement, Hand over deed, Agency Agreement and Service Provision Agreement, NCC handed over to the Company it has fixed or landed and other assets on lease basis for the purpose of discharging its mandate under the Water Act of 2002. However, the water Act 2016 provides the asset linked to water service provision should be vested in the company and the transfer done by CS in-charge of water. This is still pending. The Company was granted rights to carry out any capital improvements to the existing assets hence forming the basis of maintaining a dual asset register.Accordingly, the Company is a co-owner of certain assets. The property, plant and equipment schedule is shown on the next page

PROPERTY, PLANT AND EQUIPMENT

OST	BUILDINGS	PLANT & MACHINERY	MOTOR VEHICLES	EQUIPMENT	COMPUTER &RELATED EQUIPMENT	FURNITURE & FITTINGS	WIP	TOTAL
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
at Jul 2020	87,154,865	3,394,639,394	422,100,846	990,911,190	551,737,688	152,881,607	671,088,770	6,270,514,363
ditions at cost	3,215,589	28,250,358	37,815,000	20,217,778	23,443,470	8,487,871	379,072,781	500,502,845
classification	23,607,695	245,460,102					(362,596,678)	(93,528,881)
sposal			(6,508,950)				(12,866,030)	(19,374,980)
at June 2021	113,978,149	3,668,349,854	453,406,896	1,011,210,258	575,181,158	161,369,478	674,617,558	6,658,113,351
preciation at 1 July 2020	9,548,397	1,058,105,114	417,355,412	755,277,998	522,728,820	116,483,245	-	2,879,498,986
preciation on disposal	-	-	(6,508,950)	-	-	-	-	(6,508,950)
arge for the year	2,241,528	373,967,894	11,821,999	55,571,969	21,421,983	10,677,102	-	475,702,475
cumulated Depreciation	11,764,521	1,432,073,008	422,668,461	810,849,967	544,176,207	127,160,347	-	3,348,692,511
BV AS AT 30 JUN 2021	102,188,224	2,236,276,846	30,738,435	200,360,291	31,030,355	34,192,011	674,617,558	3,309,420,840
at Jul 2021	113,978,149	3,668,349,854	453,406,896	1,011,210,258	575,181,158	161,369,478	674,617,558	6,658,113,351
lditions at cost		4,939,219	54,642,759	38,629,889	5,015,010	16,345,787	519,578,560	639,151,224
classification	723,993	192,892,443					(193,616,436)	0
sposal								
at June 2022	114,702,142	3,866,181,516	508,049,655	1,049,840,147	580,196,168	177,715,265	1,000,579,682	7,297,264,575
preciation at 1 Jul 2021	11,764,521	1,432,073,008	422,668,461	810,849,967	544,176,207	127,160,347	-	3,348,692,511
arge for the year	2,849,454	410,770,603	15,669,253	54,388,914	15,675,194	10,783,281		510,136,699
cumulated Depreciation	14,613,975	1,842,843,611	438,337,714	865,238,881	559,851,402	137,943,628		3,858,829,211
BV AS AT 30 JUN 2022	100,088,166	2,023,337,905	69,711,940	184,601,267	20,344,767	39,771,637	1,000,579,682	3,438,435,365
BV AS AT 30 JUN 2021	102,188,224	2,236,276,846	30,738,435	200,360,291	31,030,355	34,192,011	674,617,558	3,309,420,840
ilue of fully depreciated sets								

The work in progress (WIP) relates mainly to costs of ongoing but incomplete works on water pipeline network and sewer relief network construction and other civil works and installations.

18. INTANGIBLE ASSETS

	2022	2021
Computer software:-	Kshs	Kshs
COST		
At 1 July	**280,913,657**	**165,134,305**
Additions	0	115,779,352
At 30 June	**280,913,657**	**280,913,657**
AMORTIZATION		
At 1 July	**165,937,954**	**156,014,400**
Charge for the year	38,135,612	9,923,554
At 30 June	**204,073,566**	**165,937,954**
Net book value at 30th June	**76,840,091**	**114,975,703**
Value of fully Depreciated at 30th June	**149,208,778**	**149,208,778**

19. INVENTORIES

Inventories represent the value of water treatment chemicals, office supplies, tyres and accessories, motor spares, water meters and water fittings and accessories kept at various Company stations

	2022	2021
	Kshs	**Kshs**
Water treatment Chemicals & Lab equipment/apparatus	67,977,006	56,389,481
Office Supplies	18,070,514	19,010,316
Tyres and accessories	948,109	5,639,847
Motor Spares	14,514,872	20,102,365
Uniform and protective clothing	15,736,741	11,393,649
Water meters	41,983,006	41,137,989
Water fittings and accessories	258,512,304	312,094,996
Total	**417,742,552**	**465,768,643**

20. TRADE AND OTHER RECEIVABLES

	2022	2021
		Restated
	Kshs	Kshs
Trade receivables	8,718,982,938	8,240,728,130
Less: Allowance for credit loss	(6,963,553,843)	(6,792,610,184)
Net trade receivables	1,755,429,095	1,448,117,945
Other receivables	1,462,022,002	1,425,691,256
Less: Provision for bad and doubtful debts	(55,512,564)	(55,512,564)
Net other receivables	**1,406,509,438**	**1,372,358,128**
Prepayments and deposits	155,731,106	174,545,457
	3,317,669,639	**2,992,842,094**

Specific provision has been made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success. The provisions relating to the reporting period are Kshs(6,963,553,843) (2020: Kshs (6,792,610,184)). This is based on the provision of bad debts of beyond 480days as per the adopted policy.This includes ksh 5,935,309 under Nairobi Water and Sewerage Institutional Restructuring project that was closed in 30 June 2008 and khs 49,577,255 for VAT claims.

Other receivables include balances claimable from Postal Corporation of Kenya, Kenya Revenue Authority (KRA), Cellulant Kenya Ltd, IDA receivables, staff salary advances ,medical excess and Travel advances. The carrying amounts of receivables approximate to their fair value.

21. CASH AND CASH EQUIVALENTS

	2021	2020
	Kshs	**Kshs**
Cash in hand	3,328,332	2,490,331
Cash at bank	749,842,879	582,631,529
Total	**753,171,211**	**585,121,860**

For the purposes of the cash flow statement, the earned cash and cash equivalents comprise the above balance sheet amount. The company is not exposed to credit risk on cash and bank balances as these are held with sound financial institutions. The cash at bank is held at Co-operative bank of Kenya, Barclays bank of Kenya ltd, Equity bank Ltd,Sidian bank, Citi bank N.A, Housing Finance, National bank of Kenya, National commercial Bank of Africa (NCBA), Diamond trust bank ltd and other held in trust account by M-pesa holding account, Jambo pay and Airtel holding Account.

The carrying amounts of the company's cash and cash equivalents are denominated in the Kenya shillings.

22. SHARE CAPITAL

	2021	2020
	Kshs	Kshs
Authorized, issued and fully paid:		
5,000 ordinary shares of Kshs. 20	100,000	100,000

There was no movement in the share capital during the year.

23. REVENUE RESERVE

		2022	2021
			Restated
	Note	**Kshs**	**Kshs**
At 1 July		**(6,028,570,267)**	**(5,933,313,790)**
Prior year adjustments	30	(2,432,396,194)	(179,830,735)
Restated Opening balance		**-8,460,966,461**	**(6,113,144,525**
Surplus/Deficit for the year		(84,714,791)	84,574,258
At 30 June		**(8,545,681,252)**	**(6,028,570,267)**

Revenue reserve comprises of net worth at conversion and accumulated surpluses over the years. The prior year adjustment relates to errors in previous year Billing. The international Financial Reporting Standard No. 8, requires that this to be restated but due to difficulties in establishing the period that the error relate we have adjusted the prior year adjustment against reserve.

24. CAPITAL GRANT

The capital grant represents the cost of property, plant and equipment purchased using donor funds.

	2022	2021
COST	**Kshs**	**Kshs**
As at 1st July	**2,497,363,185**	**2,154,069,676**
Additions	**182,087,410**	**343,293,508**
	2,679,450,595	**2,497,363,185**
Amortization:		
As at 1st July	**854,384,302**	**660,608,536**
Charge for the year	**193,775,766**	**193,775,766**
Accumulated Amortization	**1,048,160,068**	**854,384,302**
Net book value as at 30th June	**1,631,290,528**	**1,642,978,883**

25. CUSTOMER DEPOSITS

	2022	2021
	Kshs	Kshs
Balance brought forward	**1,024,687,575**	**960,944,823**
Deposits received from customers	54,005,000	41,323,836
Accrued interest at 3% per annum	25,800,736	24,279,830
Deposits and interest refunded	(3,127,236)	(1,860,914)
Balance carried forward	**1,101,366,075**	**1,024,687,575**

The customer deposits balance comprises of deposits received from customers from 17 May 2004 when the Company commenced operations. The customer deposits received by the former Water and Sewerage Department of CCN have not been included in these financial statements pursuant to Article 4 (sections 3-4) of the Tripartite Agreement dated 5 April 2004, which states that CCN shall continue to hold and be responsible for deposits received from customers before the Company's formation. This Article further states that the Company shall refund deposits as and when demanded. Customer deposits are withdrawn on demand when accounts are closed. However, as is the case with other deposits of a similar nature, customer deposits are not usually withdrawn within one year.

26. BORROWINGS

	2022	2021
	Kshs	Kshs
Bank borrowings		
Non- Current	234,105,448	302,624,997
Current	149,287,233	68,522,564
Total Bank borrowings	**383,392,681**	**371,147,561**

The Company had 2 loan facilities with the cooperative bank of Kenya during the year namely;

(a) A term loan for financing sanitation connections in the informal settlement of kes 600 million at Co-operative Bank under the OBA project co-financed by the World Bank. The company made a drawdown of kes 529,201,331. Interest rate at 13.5% pa reducing balance.
(b) The company maintains an overdraft facility with the co-operative bank of Kenya of Kshs. 35 million that may be utilized by the company to reduce liquidity risk.

(c) Insurance premium financing of kshs 90,860,253 financed by Co-operative bank of Kenya.

The facilities are secured by the following;

i. Existing all assets fixed and floating debenture over the company assets of kshs700 million (Seven hundred million only) with the co-operative bank of Kenya

ii. An assignment agreement of our receivables to Co-operative bank of Kenya;

iii. Daily cash/ call deposits build up in the amount of kes 2,000,000 per day via standing order;

iv. Duly executed lien and cash charge documentation to back the arrangement under items ii and iii above;

v. Executed general terms and conditions

Detailed analysis of the borrowings

Description	2021-2022	2020-2021
	Kshs	Kshs
Domestic Borrowings		
Balance at beginning of the year	371,147,561	681,003,504
Domestic borrowings during the year	90,860,253	0
Repayments during the year	(78,615,133)	(309,855,942)
Balance at end of the year	383,392,681	371,147,561

27. TRADE AND OTHER PAYABLES

	2022	2021
	Kshs	Kshs
Trade payables	1,702,880,772	1,525,445,049
Other payables	2,660,013,479	865,828,825
Total	**4,362,894,251**	**2,391,273,874**

In the opinion of the management, the carrying amounts of Trade payables approximate to their fair value. Other payables include staff related liabilities e.g LAPTRUST – Kshs 2,236,625,495 resulting from an actuarial deficit plus interest and penalties and Lap fund Kshs. 146,623,630. The maturity analysis of trade and other payables are shown in note 33 (a) (ii).

28. CUSTOMERS WITH CREDIT BALANCES

	2022	2021
	Kshs	Kshs
Customers credit balances	**308,447,036**	**266,702,512**

The customer with credit balances are those whose accounts have been overpaid and or have been issued with a credit note due to previous overbilling.

29. PROVISIONS FOR LEAVE ACCRUALS

	2022	2021
	Kshs	Kshs
As at opening	191,252,411	291,402,887
Addition/Decrease for the year	40,075,065	(100,150,476)
As at closing	231,327,476	191,252,411

Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year.

30. AMOUNT DUE TO RELATED PARTY TRANSACTIONS

The Nairobi City County Government owns the Company 100%.

Athi Water Works Development Authority (AWWDA) is the Asset Holding Entity. During the year the transactions conducted between these related entities were at arm's length and in the normal course of business in compliance with the Water Act 2016.The following transactions were carried out with related parties:-

AMOUNT DUE TO RELATED PARTY TRANSACTIONS

	2022	2021
i)Lease fees for the year payable to Athi Water Works Development Authority	Kshs	Kshs
As at July	7,548,195,498	6,623,220,806
Fees for the year	924,974,692	924,974,692
NCC		
Sub-total	8,473,170,190	7,548,195,498
Reclassified	(1,824,500)	
Subtotal		
At 30 June	8,471,345,690	7,548,195,498
ii)Inherited debts from Nairobi City County		
At 1 July	60,361,093	142,599,817
Reclassified	1,824,500	
Paid during the year	(2,809,221)	(82,238,724)
At 30 June	59,376,372	60,361,093
Grand Total	8,530,722,062	7,608,556,591
Classification of related party payables		

Non- current	7,605,747,370	6,683,581,899
Current	924,974,692	924,974,692
Total	**8,530,722,062**	**7,608,556,591**
iii)Billing of Water services to NCC		
At 1 July	453,610,466	384,214,463
Billing for the year	71,390,548.	78,989,202.
Paid during the year	(14,005,741)	(6,986,668)
Adjustment	0	(2,606,531)
At 30 June	**510,995,927**	**453,610,466**

The tariffs applicable to Nairobi City County are the same as those charged to other customers.

31. MANAGEMENT STAFF COMPENSATION

Key management compensation:	2022	2021
	Kshs	Kshs
Salaries and other short term benefits	1,336,059,206	1,147,589,456
Termination benefits	175,558,771	167,559,425
Post-employment benefits	553,400	852,000
Total	**1,512,171,377**	**1,316,000,881**
Director's remuneration:		
-Fees for services as Directors	93,102,484	33,018,910
-Other emoluments as Chief executive (included in key management compensation above)	12,249,628	13,123,543
Total	**105,352,112**	**46,142,453**

A listing of the members of the Board of Directors who served is shown on page 5 of these financial statements.

32. PRIOR YEAR ADJUSTMENTS

Prior year adjustments comprise the following:		2022	2021
To revenue reserve		Kshs	Kshs
Trade Receivables	(i)	(195,770,698)	(179,830,735)
Other payables	(ii)	(2,236,625,495)	

Total	(2,432,396,193)	(179,830,735)

Sub-notes:

(i) Correction of prior period trade receivable balances due to errors in billings.

(ii) Actuarial deficit plus penalties and interest on unpaid pension liabilities

33. CASH GENERATED FROM OPERATIONS

Reconciliation of surplus before tax with cash generated from operations:		2022	2021
	Notes	Kshs.	Kshs.
Deficit /Surplus for the year before tax		(84,714,791)	84,574,258
Adjustment for :			
Revenue reserve	30	(2,445,920,579)	(179,830,735)
Depreciation of property, plant and equipment	15	510,136,700	475,702,475
Amortization of intangible assets	16	38,135,612	9,923,554
Amortization of grant asset	22	(193,775,766)	(193,775,766)
Interest expense	12	69,888,423	98,620,955
Operating surplus before working capital changes		(2,094,067,858)	295,214,740
Increase Trade and other receivables		(269,558,635)	(26,231,264)
Decrease /Increase in Inventories		48,026,092	(22,789,321)
Increase/Decrease in Trade and other payables		1,971,620,377	(82,268,156)
Decrease /Increase in Provisions		40,075,065	(100,150,476)
Increase in Customer deposits		76,678,500	63,742,752
Increase in Amount due to related parties		922,165,471	842,735,967
Cash generated from operations		**682,756,469**	**970,254,242**

34. EMPLOYEE RETIREMENT BENEFITS EXPENSE

The employee retirement benefits expense comprises:

	2022	**2021**
	Kshs	Kshs
National Social Security Fund	4,522,700	3,757,200
Provident fund/pension fund	492,425,635	883,202,727

Gratuity	175,558,771	167,559,425
	672,507,106	**1,054,519,352**

35. COMMITMENTS

	2022	**2021**
	Kshs	Kshs
Contracted but not provided for	215,341,695	195,251,974

36. FUTURE RENTAL COMMITMENTS UNDER OPERATING LEASES

This relates to leases for operational buildings at various centers at Enterprise centre- Addis Ababa Rd Industrial Area, Showebe Plaza Pangani, Parklands Plaza Westlands, Cameo building –Town centre, National water plaza (Dunga Road), Shujaa mall along Spine Road. The lease terms are for six (6) years, and the majority of the lease agreements are renewable at the end of the lease period at market rates.

	2022	2021
	Kshs	**Kshs**
Within 1 year	66,644,909	64,578,940
After 1 year but less than5 years	167,836,827	93,903,942
	234,481,736	**158,482,882**

37. CONTINGENT LIABILITIES

This comprises of (a) pending suits and disputed claims arising from debts inherited from NCC in which the Company has been enjoined as a defendant plus other pending suits instituted against the company, all amounting to Kshs, 6,594,745,836 (2021):Kshs 5,640,150,798).The likely outcome of these matters cannot be determined as at the date of signing these financial statements. Based on the information currently available, the Directors believe that the ultimate resolutions of these legal proceedings, claims and tax exemption application are not likely to have a material effect on the results of the Company's operations, financial position or liquidity.

38. RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial risk management

The company's activities expose it to various financial risks and market risks e.g. foreign exchange risk, interest rate risk and price risk, credit risk and liquidity risk. The Company's overall risk management policies are set out by the board and implemented by management , and focus on the unpredictability of changes in the business environment and seek to minimize the potential adverse effects of such risks on the Company's performance by setting acceptable levels of risk. The Company does not hedge against any risk.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a company-wide basis. The company does not grade the credit quality of financial assets that are neither past due nor impaired.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings.

Credit Risk on trade receivables is managed through a monthly review of outstanding balances. Payments not received within the contractual credit period are enforced through disconnection. Any identified errors in billing that can delay revenue realization are adjusted on a weekly basis. The debt of over 480 days is provisioned and written back when realized.

The maximum exposure of the company to credit risk as at the balance sheet date is as follows:

	Fully Performing	Past due but not Impaired	Past due and Impaired	Total
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2021				
Financial assets				
Trade receivables	674,670,524	773,447,421	6,792,610,184	8,240,728,130
Other receivables	264,639,696	1,119,063,382	55,512,564	1,439,215,642
Cash in hand &bank				585,121,860
Gross financial assets	**939,310,220**	**1,892,510,803**	**6,848,122,748**	**10,265,065,632**
As at 30th June 2022				
Financial assets				
Trade receivables	931,074,377	824,354,718	6,963,553,842	8,718,982,938
Other receivables	442,827,161	963,682,277	55,512,564	1,462,022,002
Cash in hand &bank	753,171,211			753,171,211
Gross financial assets	**2,127,072,749**	**1,788,036,995**	**7,019,066,406**	**10,934,176,151**

The past due debtors but not impaired continue to be paid. An impairment provision of (Kshs (6,963,553,843) (2021: (6,957,206,993)) is held against the impaired receivables. The company does not hold any collateral against the past due or impaired receivables except for the nominal customer deposits. The management continues to actively follow up past due and impaired receivables.

ii) *Liquidity risk*

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the company's short, medium and long-term liquidity risk by continuously reviewing forecasts and actual cash flows, and maintaining banking facilities to cover any shortfalls. The Company maintains an overdraft facility of Kshs. 35 million that may be utilized by the company to further reduce liquidity risk. This facility is reviewed annually in order to factor the company's changing circumstances.

The table below summarizes the maturity analysis for financial liabilities to their remaining contractual maturities. The amounts disclosed are the contractual undiscounted cash flows presented in million Kshs.

Year ended 30th June 2022	0-1 month	1-3 months	3-12 months	over 1 year	Total
Trade payables	220	103	277	1,103	**1,703**
Payables to related parties	77	154	694	7,606	**8,531**
Other payables	194	4	28	2,434	**2,660**
Loans from bank	16	32	101	234	**383**
Total	**507**	**293**	**1,100**	**11,377**	**13,277**
Year ended 30th June 2021					
Trade payables	217	106	274	941	**1,538**
Payables to related parties	77	154	693	6,685	**7,609**
Other payables	246	53	125	442	**866**
Loans from bank	6	12	51	302	**371**
Total	546	325	1,143	8,370	**10,384**

iii) *Market risk*

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: currency risk, interest rate risk and other price risk.

Interest rate risk

The company is exposed to cash flow interest risk on its variable rate borrowings because of changes in market interest rates. The company manages this exposure by maintaining a high interest cover ratio, which is the extent to which profits are available to service borrowing costs. If the interest rates on the company's borrowings at the year-end were to increase/decrease by 1% percentage points, with all other factors remaining constant, the post-tax loss/profit would be lower/higher by Shs

Currency risk

The Company operates wholly within Kenya and its assets and liabilities are reported in the local currency.

(b) Capital management

The company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the company consists of debt, which includes the borrowings and equity comprising issued capital, capital grant and revenue reserve as disclosed in notes 17, 18, 19& 21. In order to improve on the capital structure, the company may replace the short term funding with long term funding and also improve on the efficient management of working capital particularly the accounts receivables.

	2022	2021
	Kshs	Kshs
Total Debt	3,317,669,639	2,992,842,094
Less cash and cash equivalents (Note 16)	753,171,211	585,121,860
Total Debt net of cash	2,564,498,428	2,407,720,234
Total equity	(6,914,290,724)	(4,385,491,384)
Total Capital resources	(4,349,792,296)	(1,977,771,150)
Gearing (net debt over total capital resources)	(59)%	(122)%

39. INCORPORATION

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

40. EVENTS AFTER THE REPORTING PERIOD

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

41. CURRENCY

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

42. COMPARATIVES

Comparative figures are adjusted to conform to changes in presentation in the current year where necessary.

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
1.0	**1.1 Under Collection of Revenue** The Company recorded revenue totaling to Kshs.9,659,858,547. Out of this amount, Kshs.8,546,844,142 was collected from monthly billed services of water, sewer services and meter rent of Kshs.4,667,347,991, Kshs.3,718,868,570 and Kshs.160,627,581 respectively. Review of the billings data provided revealed that an amount of Kshs.8,802,335,076 was billed in the financial year 2020/2021. However, the Company was only able to collect an amount of Kshs.8,546,844,152 resulting to an unexplained under collection of Kshs.255,490,934 or 29% of the billed amount	The Billing is normally done throughout the month and it is not possible to collect all billings since some are issued towards the end of the period and the due dates for collection follow the next period. Also note the amount uncollected is only 2.9% and not 29% as indicated.	MD/FMR	Ongoing	
1.2	**1.2. Under Collection of Other Income** Note 6 to the financial statements reflects other	The Billing is normally done throughout the month and it is not possible to collect all billings	FD/FMR		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	income amount of Kshs.1,113,014,405 from exhausters services, survey fee, sale of sludge, sale of water by tanker, fraud charges and recoveries, claims compensation, reconnection fee, effluent discharges, Jisomee customer, loan repayment and grant amortization. Included in this income is an amount is Kshs.193, 775,766 in respect to grant amortization. Examination of sampled records on other income revealed the following anomalies:	since some are issued towards the end of the period and the due date for collection follow the next period.			
1.2.1	**Unaccounted for Water** A review of the billed water records revealed that 8,372,156.63 (m3) water was utilized by the informal settlements and NMS water tankers at 8,039,437.53 (m3) and 332,719.10 (m3) respectively. The water	The total revenue generated from company water tankers during the financial year was KES 16,695,258 as per the schedule attached (Annex 1). KES 3,515,208 stated above was only for July 2021 income from water tankers.			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	was transported by thirty-eight (38) water bowsers which consumed 346,316.74 litres of fuel at a cost of Kshs.33,201,193				
1.2.1.1	**Inconsistency of Nairobi Metropolitan Services (NMS) Tankers Revenue Records** Out of the 38 water bowsers, 17 bowsers belonged to Nairobi Metropolitan Services (NMS) which supplied water to informal settlements. The bowsers consumed 103,916.39 litres of fuel costing Kshs.9,881,335. However, the work tickets for the tankers did not indicate their destination and therefore it was not possible to establish the beneficiaries of the water distributed by the NMS tankers or confirm the accuracy of the expenditure of Kshs.9,881,335 in respect of fuel consumed.	The total revenue generated from company water tankers during the financial year was KES 16,695,258 as per the schedule attached (Annex 1). KES 3,515,208 stated above was only for July 2021 income from water tankers.			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	In addition, records provided by the officer in charge of NMS Tankers revealed that 277,273 cubic meters of water was distributed to informal settlements. However, this amount differed with the stated amount of 332,719.10 cubic meters from the Commercial Department resulting to an unreconciled variance of 55,446 cubic meters of water amounting to Kshs.177,427,200 (55,446,000 litres x Kshs.3.2). No explanation was however provided by the Management on the inconsistencies in the records. In the circumstances, it was not possible to confirm the accuracy of the records maintained by the Company.				
1.2.1.2	**Under Collection of Revenue from Nairobi City Water & Sewerage Company (NCWSC) Tankers**	The discharge point is in the Eastern side (Ruai)of the City hence the distance varies and the rate are subsidized hence			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	Examination of records provided for audit review revealed that, 21 water bowsers belonging to Nairobi City Water and Sewerage Company consumed 249,552.73 litres of fuel at a cost of Kshs.23,319,858. These bowsers supply water at a cost of Kshs.2,500 and Kshs.5,000 for 8000 litres and 16,000 litres capacity respectively at a cost of Kshs.3.2 per litre. Records from the Commercial Department revealed that 8,039,437.53 (m3) of water was drawn by the 21 bowsers which should have generated a revenue amount of Kshs.25,726,200,096 and not the Kshs.16,692,758 accounted for under sale of water by tankers. The Management did not provide adequate explanation for the unreconciled variance of Kshs.25,709,507,338 and, no records were provided in respect of the beneficiaries of the water. In addition, the revenue generated from the sale of water and the fuel expenditure incurred of Kshs.23,319,858 on water distribution against generated	revenue is likely to be lower than cost of fuel consumed. A proposal to raise the fee in the next tariff has been forwarded. The discrepancies in the number of trips against the revenue collected is a result of the exhauster being assigned internal duties like exhausting residences back-flowing with sewage, exhausting pooled sewage while unblocking sewer lines in the regions, and also Government and Nairobi County institutions etc.			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	income of Kshs.16,692,758 on the water could not be matched. Further, examination of the records provided for audit exercise revealed that the Company's work tickets in respect of the 21 water bowsers reflected movement from Nairobi Metropolitan to Industrial Area and back and not the exact destination. Consequently, it was not possible to ascertain and confirm where the bowsers drew the water and the water drop zones. In the circumstances, it was not possible to confirm the accuracy and completeness of the amount of Kshs.16,692,758 in respect of revenue generated from the sale of water by tankers.				
1.2.2	**Inadequate Revenue Collected from the Company's Exhauster** Review of the tariff rates provided for audit review revealed that the Company charges Kshs.4000 and Kshs.5,000 per trip for				

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe
	exhauster services in informal and formal sectors respectively. It was established that the Company owned one exhauster, whose details revealed revenue of Kshs.122,870 during year under review from this exhauster. It was however, noted that the revenue generated of Kshs.122,870 was very low compared to the consumption of 7740.36 liters of fuel at a cost of Kshs.716,210. A further, review of the exhauster revenue records revealed that the Company had collected an amount of Kshs.279,000, resulting to an unaccounted-for collection of Kshs.156,130. In the circumstances, it was not possible to ascertain the accuracy and completeness of the revenue of Kshs.122,870 as matched with fuel expenditure of Kshs.716,210 in respect of the exhauster.				
1.2.3	**Undisclosed Track Licenses Revenue**	The license number 762 is an outlier in the current licensing			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	Examination of records provided for audit review revealed that the Company issued effluent discharge licenses from serial No. 1 to license No. 762. However, only details in respect of 117 licenses were provided for verification resulting to a gap of 657 licenses. Further, it was established that the Company charges yearly licensing fee according to the diameter of the track of Kshs.20,000, Kshs.40,000 and Kshs.60,000 for less than 3 diameter, 3.7 diameter and above 7 diameters respectively per year. Based on the uniform charges of Kshs.60,000 for the 117 licenses, the unaccounted for 657 licenses should have generated revenue totalling Kshs.39,420,000. In the circumstances, it was not possible to ascertain if the revenue amount of Kshs.39,420,000 for the 657 private exhausters was actually remitted to the Company.	serialization. It had been issued as a sample to a supplier who then returned it. The actual numbers of licensed private exhausters were **117** (see Annex 3 attached) **and NOT 762.**			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
1.2.4	**Unsupported Collection of Revenue from Private Exhausters** Examination of the approved tariffs provided revealed that private exhausters dumping into the Company's sewer system are required to obtain a monthly license of Kshs.15,000 per private track per month. Records in support of the revenue collection totalling to Kshs.137,160,000 from the 762 private exhausters were however not provided for audit verification. In the circumstances, the accuracy, validity and completeness of the operating income of Kshs.9,659,858,547 reflected in the statement of profit or loss and other comprehensive income could not be confirmed.	This is a new revenue stream which is based on discharge point at Njiru but it was demolished by the school due to pollution of Environment, however we are in process of constructing 4 new discharge points at various locations in the City under Funding of AFDB.			
2.0	**Uncaptured Cost of Sales** The Public Service Accounting Standards Board (PSASB) approved template requiring the Management to	The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act, and International			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	provide for cost of sales as a direct cost in the statement of profit or loss and other comprehensive income. However, review of the statement for the year ended 30 June, 2021, revealed an omission of the information. A further review of documents provided revealed that the Company had an opening stock totalling Kshs.442,979,322, purchases of Kshs.536,496,275 and closing stock of Kshs.465,768,643. However, the Company did not account for the expenditure in form of cost of sales as required by the template. In addition, it was established that the Company incurred additional direct production costs amounting to Kshs.960,932,669. In the circumstances, the accountability of the direct costs totalling Kshs.1,474,639,623 could not be ascertained.	Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented. The company is in the service industry and hence cannot apply the cost of sale method as it is not in the manufacturing business. The Kshs.960,932,668 shown in the template is an internal report generated from production department and has not been applied in the preparation of the financial report, in addition the figure does not reflect the accounting policies and assumptions used in preparation the financial accounts. E.g. chemical Costs is determined by weighted average cost basis. The tariff structure in Kenya does not			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
		include a tariff for valuing raw water that is abstracted from the river.			
3.1	**Overpayment of Allowances** Allowances totaling to Kshs.231,696,155 which constitute house allowance, leave allowances, special duty allowances of Kshs.158,711,400, Kshs.43,882,694 and Kshs.11,102,061 respectively were paid contrary to the rates prescribed by the human resource manual.				
3.2	**Irregular Payment of Arrears** Analysis of the payroll data revealed that officers were paid salary arrears totalling Kshs.96,901,961 made up of basic salary of Kshs.38,029,733, acting allowance of Kshs.7,265,263, night out of Kshs.8,745,500, risk allowance of Kshs.23,417,421, special duty allowance of Kshs.11,911,267 and transport allowance of Kshs.7,532,777.				

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	The basis of the arrears and the supporting documents were however not provided for audit review. In the circumstances, it was not possible to confirm the validity of the arrears.				
3.3	**Irregular Payment of Leave Allowance** Analysis of the payroll data revealed that officers were overpaid leave allowance by Kshs.46,655,560 more than once in the financial year. This is contrary to the CBA Clause 17.1 (f), which states that employees shall be paid leave allowance at 72% of their monthly basic pay once in a year when proceeding to his/her leave provided the employee takes not less than half of the annual leave. In the circumstances, it was not possible to confirm the validity of the leave allowance.				
3.4	**Lack of Records on Applicable Staff Allowances** The Human Resource Manual and Collective Bargaining Agreement provides for payment of the fuel				

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	allowance, responsibility allowance and entertainment allowances, however, details on the approved rates and which officers are entitled to these allowances were not provided for audit review. Therefore, it was not possible to confirm authenticity of payments totalling Kshs.171,783,032, Kshs.12,172,665 and Kshs.8,154,194 in respect of fuel, responsibility and entertainment allowances. Further, the bonus paid in the year under review totalling to Kshs.22,869,000 was not supported with the payment policy and the deliverables on which it was paid. In the circumstance, it was not possible to confirm the propriety of Kshs.214,978,891				
3.5	**Overpayment of Acting Allowance** Review of the acting allowances revealed that some officers were paid acting allowance amounting to Kshs.1,165,483 at a rate higher than the recommended 25% of basic salary.				

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	In the circumstances, it was not possible to confirm the validity of the acting allowances.				
3.6	**Payment of Transport Allowance** Examination of the payroll for the period July, 2020 to June, 2021 revealed that although the Company paid an amount of Kshs.20,630,600 in respect of transport allowance, the allowance was however not part of the articulated allowances therefore it was not possible to confirm the validity of the expenditure. In the circumstances, the accuracy and validity of the staff costs totaling to Kshs.6,317,742,440 for the year ended 30 June,2021 could not be ascertained				
4	**Cash and Cash Equivalents** Note 19 to the financial statements reflects cash and cash equivalents balance of Kshs.585,121,860. Examination of records provided revealed the following unsatisfactory issues:				

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe
4.1	**Irregularities in Revenue Collection Agencies** Examination of records provided for audit review revealed that the Company receives collection services from Basis 2, Jisomee (CMS) and Jambo Pay. However, the Company did not provide the contract document in respect of Jambo Pay and therefore it was not possible to ascertain how Jambo Pay was engaged and the terms of service. Further, it was revealed that although the Management indicated that Jisomee Account was a World Bank Project, no explanation was provided on how the Project benefiting the Company could come on board without the Donor's input.In addition, examination of the records provided revealed that the Company collected an amount totalling to Kshs.39,896,843 under Jisomee Account. However, only an amount of Kshs.19,991,049 was remitted to the Company's main account resulting to an unexplained and unsupported	Kindly note that Basis 2, CMS and Jisomee are our billing systems. Jambo pay Jisomee Mita was a project by the World Bank and hence that is how the vendor came into being. The company advertised for the agency services and the process is in progress. Jambo pay remits the funds on weekly basis but during the period there was a technical hitch leading to the funds being remitted in July 2021.	FM(R) FD	Ongoing	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe
	difference of Kshs.19,905,794. In the circumstances, it was not possible to confirm the accuracy of the cash and cash equivalent of Kshs.585,121,860				
4.2	**Dormant HFC Bank Account** Examination of the bank statements provided for audit verification revealed that the HFC bank statements reflects last transaction dated 10 May, 2018 with a balance of Kshs.393,426, and an interest accrued of Kshs.69,883 resulting to a total of Kshs.463,309. The cash book balance as at 21 July, 2020 reflects an amount of Kshs.441,071 which had not been updated since July, 2020. No reason was provided for not updating the cashbook and the variance of Kshs.22,238 between the cash book balance and the bank certificate balance was not reconciled. In the circumstances, it was not possible to confirm the	This account is a collection agency account. The contract expired and the parties were to sign a new contract which is pending. The company is in the process of standardizing all collection agency contracts before reactivating the account.	FD/FM (R)	Ongoing	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	accuracy of the cashbook balance of Kshs.441,071.				
4.3	**Un Reconciled Cooperative Bank Receiving Account** Review of the Cooperative Bank receiving account indicated that the cash book balance as at 30 June, 2021 reflected a balance of Kshs.9,072,887 while the bank certificate had a balance of Kshs.6,010,770 resulting to an unreconciled and unexplained amount of Kshs.3,062,117. In the circumstances, it was not possible to confirm the accuracy of the cashbook balance of Kshs.9,072,887.	The above statement gives a reconciliation of the bank balance and the cashbook balance. Whereas we had collected money part of it was deposited but not credited by the bank while part was unbanked at the close of the period as it's collected beyond the banking time. For purposes of the reporting we use the cashbook balance since it represents all cash received at close of the period. The makeup of the uncredited amounts and the unbanked amounts (cash at Hand) is hereby attached (Appendix 4.10.5 – 1/1) (Annex 4 attached)	FM (R)	Resolved	
4.4	**Dormant Baba Dogo Water Project Account** Review of the bank statements in respect of Baba Dogo Water Project Account	The account was opened for the Baba Dogo project account funded by the Water Sector Trust Fund. We	FM(E &R)	Resolved	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	revealed that the bank had an opening balance of Kshs.39,522, as at 1 July, 2020 and a closing balance of Kshs.35,160. resulting to bank charges totalling Kshs.4,362. However, it was noted that there was no other activity during the year under review. No explanation was provided by the Management on why the account could not have been closed if there was no need for it.	have written to the Bank to close the account			
5	**Property Plant and Equipment**				
	Lack of Ownership and Valuation Documents As previously reported, and as disclosed in Note 15 to the financial statements property, plant and equipment balance reflects Kshs.3,322,286,870 as at 30 June,2021. However, the parcels of land and dams on which expansion and improvements of undetermined value have not been included in the property, plant and equipment balance in the year under review. This is contrary to Paragraph 7of the International Accounting	The land is owned by the Nairobi City County and the ownership documents are held by them. The asset owned by Nairobi City County were not included in the Financial statement. The Company as a service provider uses the assets to discharge its mandate as per the deed of transfer	MD/C CN/CS	Ongoing	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe
	Standard (IAS) No.1. Further, balance omits various unvalued parcels of land belonging to the Company meant for expansion, storage, water and sewerage treatment works which have been encroached on by private developers. In addition, ownership documents for various parcels of land belonging to the Company were not provided for audit. In the circumstances, it was not possible to confirm the accuracy of the property, plant and equipment balance totaling to Kshs.3,322,286,870				
5.2	**Inaccuracies in Work in Progress** Note 15 to the financial statements reflects a balance of Kshs.687,483,588 in respect of work in progress which included one project valued at Kshs.12,866,030 and which was accounted for twice thereby overstating the work in progress balance. During physical inspection carried out in the month of February, 2022, it was	The detailed schedule of work in progress is hereby attached. The certified works are only accounted in the financial system when the certified works certificate is presented. Necessary adjustments made as earlier stated in the Management Letter	FM9E &R)	Resolved	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	established that a sewer project No. NCWSC/23/2019 in Huruma Ngei area at a contract price of Kshs.28,042,894 was on going with certified works vide certificate No. 2 totalling to Kshs.4,804,258.30 In addition an ablution block project which commenced in the year 2014 in Ruiru Dam of undetermined value had been omitted from the work in progress balance. In the circumstances, it was not possible to confirm the accuracy of the work in progress stated balance of Kshs.687,483,588.				
5.3	**Un disclosed policy on Intangible Assets** As disclosed in Note 16 to the financial statement, the statement of financial position reflects intangible assets balance of Kshs.114,975,703 which is an increase by Kshs.105,855,798 from Kshs.9,119,905 (2019/2020). The amortization charge for the year is Kshs.9,923,554 while the policy states an amortization rate of 30% on a straight line. It was therefore not possible to ascertain how the depreciation amount of	The amortization is on straight line basis at 30% prorated from the date the asset is placed in service. In this case the software was commissioned in June 2021 and hence depreciation is effective June 2021 for the next 3 years or 40 months	FM(E &R)		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	Kshs.9,923,554 was arrived at. In the circumstances, the accuracy of the intangible assets balance of Kshs.114,975,703 as at 30 June,2021 could not be ascertained.				
5.4	**Inaccurate Plant and Machinery Balance** Included in property, plant and equipment balance of Kshs.3,322,286,870 is a net book value of Kshs.2,236,276,846 for plant and machinery as at 30 June, 2021. Although the Company had 426 plant and machinery, only 318 plant and machinery procured were charged depreciation. The balance of 108 plant and machinery procured in 2014, at a cost of Kshs.425,997,911 respectively are in good conditions and in use but had not been revalued. In the circumstances, it was not possible to ascertain the accuracy of the balance stated in the financial statements.	The accounting for a fully depreciated asset by a company is that you can continue reporting its cost and accumulated depreciation on the balance sheet. No additional depreciation charge is required for the asset. The company still owns the item, and needs to report this ownership to stakeholders. The organization can include a financial note or disclosure indicating the full depreciation of the asset as indicated on the schedule of fixed assets.			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
		Access and dispose company grounded vehicles The Company has drafted disposal policy and it is in draft form to enable grounded vehicles valuation and disposal process to be carried according to PDDA requirements			
5.5	**Inaccurate Equipment Balance** The property, plant and equipment balance of Kshs.3,322,286,870 includes a net book value of Kshs.200,360,291 for equipment as at 30 June, 2021. Although the Company has 11,156 equipment, only 7141of the equipment procured were charged depreciation. The balance of 4015 equipment procured in 2014, 2015, 2017, 2018, and 2019 at a cost of Kshs.586,065,682 had zero net book value and the equipment are in good condition and in use but had not been revalued.	The accounting for a fully depreciated asset by a company is that you can continue reporting its cost and accumulated depreciation on the balance sheet. No additional depreciation charge is required for the asset. The company still owns the item, and needs to report this ownership to stakeholders. The organization can include a financial note or disclosure indicating the full depreciation of the asset as indicated on			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	In the circumstances, it was not possible to ascertain the accuracy of the balance stated in the financial statements.	the schedule of fixed assets.			
	Inaccurate Furniture Balance Note 15 to the financial statements reflects property, plant and equipment balance of Kshs.3,322,286,870 which includes furniture net book value of Kshs.34,192,011 as at 30 June, 2021. Review of the furniture analysis revealed that although the Company has 6339 furniture, only 4223 procured were charged depreciation. The balance of 2116 furniture procured in 2014 at a cost of Kshs.77,903,806 had a nil net book value however, they are also in good condition and in use but have not been revalued therefore it was not possible to ascertain the accuracy of the balance stated in the financial statements. In the circumstances, the accuracy, completeness, ownership and the carrying value of the property, plant and equipment balance of Kshs.3,322,286,870 could not be confirmed.	The accounting for a fully depreciated asset by a company is that you can continue reporting its cost and accumulated depreciation on the balance sheet. No additional depreciation charge is required for the asset. The company still owns the item, and needs to report this ownership to stakeholders. The organization can include a financial note or disclosure indicating the full depreciation of the asset as indicated on the schedule of fixed assets.			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
6.0	**Inaccuracies in Amounts Due to Related Party Transactions** As previously reported, the statement of financial position and as disclosed in Note 28 to the financial statements reflects amounts due to related parties under current liabilities and non-current liabilities balances of Kshs.924,974,692 (2019-2020 Kshs.1,311,960,787) and Kshs,6,683,581,899 (2019-2020 Kshs.5,453,859,837) respectively. The liabilities relate to amounts due to Athi Water Works Development Agency (AWWDA) for lease fee as at 30 June, 2019. Although the Management explained that lease fee was based on an arbitrary figure during tariff settings by AWWDA, the lease agreement was not however provided for audit review. In the circumstance, the accuracy and completeness of amounts due to related parties of Kshs.7,608,556,591 could not be ascertained.	The amounts accrued are as per the approved tariff conditions although the loans upon which the amounts are determined have not been disclosed to the Company. The total outstanding debt to Athi Water works is kshs 7,548,195,498 as per the balance sheet. The amount of Kshs 82,238,724 relates to payment of pension arrears inherited from CCN. The adjustments of kshs (2,606,531) relates to water billing to CCN on water bills to correct erroneous bills. The amount of kshs Kshs.8,432,729.80 has not been paid as the City County has not provided all the necessary supporting documents to enable payment.			
7.0	**Irregular Bank Borrowings**	The loan facility is secured by a floating			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	The statement of financial position and as disclosed in Note 24 to the financial statements reflects borrowings of Kshs.371,147,561 in respect of non-current borrowings balance of Kshs.302,624,997 and current borrowings of Kshs.68,522,564. Further, an explanation to the borrowings indicate that the facilities are secured by debentures of the entire assets of the Company of Kshs.700 million. Nairobi City Water & Sewerage Company Limited via a Board meeting held on 8 April, 2020 resolved and approved the Company to secure a loan of Kshs.200,000,000 from Co-operative Bank of Kenya to cushion payment of salaries in the month of May and June 2020. Further, the Board resolved that the Company should secure Kshs.51,600,000 loan from Cooperative Bank of Kenya to cater for insurance premium for corporate group life cover. Both borrowings were of recurrent nature.	debenture which is floating charge. This is a security interest or lien over a group of non-constant assets, which change in quantity and value. A floating charge is used as a collateral to secure a loan for a company. The assets used in a floating charge are usually short-term current assets that the company consumes within one year in our case inventory and trade receivables The facilities are secured by debentures of Kshs.700 million from the receivables and not the entire assets of the Company. The Company borrowed the two loans of Kshs.200,000,000 to cushion its on the effect of COVID which was not foreseen and Kshs.51,600,000 for insurance premium this was due decline			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	provided reflects an opening balance of Kshs.790,977,850 resulting to an unreconciled variance of Kshs.169,966,973. The customers deposit analysis also reflected an interest amount of Kshs.24,273,887 as accrued interest at 3% per annum which was not in agreement with the recalculated amount of Kshs.29,372,896 resulting to an unreconciled difference of Kshs.5,099,009. Consequently, the accuracy of the stated interests on deposits amount of Kshs,24,273,887 could not be confirmed. In addition, review of key performance areas information for the financial year 2020/2021 on water and sewerage connections at page 22 of the financial statements revealed that the Company had 551,034 active number of water and sewerage connections in the year and 544,445 connections in the financial year 2019/2020 resulting to an increase of 6,589. However, Note 23 to the financial statements reflects deposits totalling to	interest) upon retirement of the account. The company does not hold a separate bank account for customer deposit, the mony is held in the company's operational account whre customers are refunded on need basisi after closing their account. During the year under review we had a new system put in place and due to some system configurations that took time to work there was some delay in refunding the deposits. This has now been resolved and the process is ongoing. The Concept of unclaimed assets only applies where you are holding money to a customer who cannot be traced but if the customer is available and has made a claim you cannot refer to it as an unclaimed asset.			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	Kshs.41,323,836 received from customers in the year under audit which differs with the recalculate amount of Kshs.40,321,373 resulting to an unreconciled variance of Kshs.1,002,463. The Company did not provide the detailed schedule of these deposits and thus the accuracy of the balance stated could not be confirmed. Further, review of the records maintained at the Company revealed that although approximately 16,529 (41,323,836/2,500) number of customers had paid deposits, only 6,589 customers had been connected to the water and sewerage system resulting to an underperformance by 9,940 customers. No explanation was provided by the Management on the underperformance of 60%. It was also noted that deposits and interest totalling Kshs.1,860,914 was refunded to customers. However, it was not possible to ascertain the occurrence and accuracy of the amount since the listing, aging analysis and the list of customers who had requested				

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe
	for their outstanding refund were not provided for audit review. In the circumstances, the accuracy and validity of the customers deposits balance of Kshs.1,024,687,575 as at 30 June, 2021 could not be ascertained.				
9.0	**Trade and Other Payables**				
9.1	**Long Outstanding Trade and Other Payables** Included in the trade and other payables balance of Kshs.2,404,139,904 is an amount ofKshs.1,538,311,079 in respect of trade payables which in turn includes long outstanding payables to Water Services Regulatory Board and Water Resource Authority of Kshs.786,440,705 and Kshs.418,395,865 respectively contrary to Section 89(1) and 109(1) of the Water Act, 2016	The Company is liquidating the debts for Water Resources Management Authority and Water Services Regulatory Board on monthly basis albeit in arrears while the debt due to Athi water works Development Authority is pending as they have not disclosed the details of the loans taken on our behalf.			
9.2	**Outstanding Audit Fees** As disclosed under Note 25 to the financial statements, other	All outstanding invoices have been paid. Pending invoices	FM(E &R)	Resolved	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe
	payables balance reflects Kshs.2,404,139,904 which includes other payables totalling to Kshs.865,828,825 out of which Kshs.38,867,930 is outstanding audit fee although the statements of profit or loss and other comprehensive income reflects an amount of Kshs.3,552,830 that relates to audit fee for the year under review. This amount differs from the actual audit fee notes of Kshs.4,121,283 resulting to an unreconciled variance of Kshs.568,453. Further, the respective schedules and other records provided for audit revealed that there is a long outstanding audit fee balance of Kshs.38,867,930 contrary to the requirements of Section 41(1)(c) of the Public Audit Act, 2015 which stipulates that the funds of the Auditor-General shall consist of audit fees charged at the rates prescribed by the Auditor-General. In the circumstances, it was possible to confirm the	to be submitted for payment			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	Company's ability to clear the outstanding balances totalling to Kshs.2,404,139,904 as at 30 June, 2021.				
9.3	**Unsupported Customers with Credit Balances** As disclosed in Note 26 to the financial statements, the Company had customers with credit balances of Kshs.266,702,512. The amount was in respect of customers whose accounts were overpaid and were issued with credit notes due to overbilling. However, no detailed analysis and schedules in support of the balance were provided for audit review. In the circumstances, the accuracy and validity of the customers' credit balance of Kshs.266,702,512 as at 30 June, 2021 could not be confirmed.	A listing of the customers with credit balances is hereby attached. (Annex 18-soft copy)	FM®	Ongoing	
10	**Negative Revenue Reserves** As at the closure of the year under review, the Company	The company is at an advanced stage in the process of negotiating for a new tariff. The	MD/FD/CD		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	had accumulated negative revenue reserves of Kshs.6,015,045,881 while Kshs.6,113,144,525 relates to the previous years as reflected under statement of changes in equity. However, the Management made prior year adjustments of negative Kshs.179,830,736 in respect of trade receivables due to errors in billings resulting to a total of Kshs.6,113,144,526. However, the supporting listing was not provided for audit review and therefore it was not possible to ascertain the accuracy of the stated negative balance. Further, the statement reflects 2019/20 prior year adjustments of negative Kshs.391,782,463 whose listings and its aging analysis were not provided for audit which further included VAT claims not admissible due to change in VAT Act from zero rate to exempt status. However, due to lack of aging analysis it was not possible to ascertain whether the said balance was affected by the	tariff in use was last reviewed in 2015 and was to last for 3 years but has not been reviewed since then while prices for various services have been rising. The advent of Covid -19 also exacerbated the situation leading to more losses in 2020 and 2021. We anticipate reversing the situation and starting reporting surplus once the new tariff is put in place. The NCWSC is already implementing the non-revenue water reduction strategies which are being fast tracked to improve on our revenue growth. The company has put in place a new billing system to enhance growth of our billing and collections and also enhance controls in revenue management.			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	change of the Act. Further, there were no documents from the Kenya Revenue Authority (KRA) acknowledging the balance indicated in the Company's financial statements. Therefore, the accuracy of the amount of Kshs.357,125,070 could not be confirmed. In the circumstances, continued increase in negative retained losses builds to negative reserves of the Company and the accuracy of prior years' adjustments could not be confirmed.				
11	Inventories				
	Inaccurate Value of Inventories Note 17 to the financial statements reflects inventories balance of Kshs.465,768,643 as at 30 June 2021 which relates to value of chemicals, fittings, office supplies, motor shares and water meters and translates to 12% of the current assets.	The makeup of the meter and related accessories inventory is hereby attached (Annex 23). There are other prepaid meter tokens that are classified under this category that were left out. Since we are a service industry the cost of			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	Detailed review of the water meters as per the stock movement report provided for audit review revealed that the physical count at the closure of financial year were 1768 meters. The balance of Kshs.41,137,989 in respect of water meters in the financial statements varied with the balance of Kshs.26,022,570 reflected in the stock movement report resulting to an unexplained variance of Kshs.15,115,419. Further, the Management did not include inventory of water (Volume of water stock that is produced/WIP but held within the distribution infrastructure) totaling to 113,044,000m3 of treated water and 88,000,000m3 of raw water.	sales method does not apply.			
12	**Fuel Expenditure** As per note 9 to the financial statements, included in the operations figure of Kshs.2,847,432,580. is an amount of Kshs.97,667,690 in respect of fuel, oil and lubricants whose records revealed the following anomalies; -				

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
12.1	**Irregularities in Consumption of Fuel** Review of sampled fuel records revealed that fuel consumed for eleven (11) months in respect of three (3) vehicles was over and above Kshs.1,000 daily. Although the Management had alluded that the fuel was also drawn by other vehicles and machinery, there was no proper accountability of the same therefore it was not possible to ascertain the occurrence of the expenditure. A sample of three vehicles revealed the following observations: - i. On 3 March, 2021, one vehicle as per the work ticket No. 585602 consumed sixty (60) liters of fuel. However, review of the file records from the vendor revealed that on the same date the vehicle consumed 200 litres amounting to Kshs.20,692. Review of fuel records maintained by the consumer did not tally with the records from the supplier. No explanation	Some of the vehicles carry fuel to be used at the outer stations as well as for generators and pumps. The vehicle that transports the fuel is the one that is indicated as having consumed/carried the fuel. Fuel carried by the vehicles is issued at the station to the various vehicles and machines within the stations and the same tabulated as indicated in the attached form.			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	was provided for the inconsistency in fuel consumption. i. Further, in the month of April 2021, a vehicle consumed 2000.41 litres of fuel as per 17 No. work tickets. However, a review of the supplier's schedule indicted fuel totalling 3400 litres as having been consumed. In addition, for eleven months a vehicle consumed fuel totalling to 33,958.10 litres worthy 3,109,982.52 approximately 100 litres per day totalling 9,283.53				
12.2	**Fuel Cards** The Company maintained fuel cards with a ceiling of how much fuel each vehicle consumed. However, the list of cards and the vehicles allocated was not provided for audit review. In the circumstances, it was not possible to confirm the accuracy of the expenditure of Kshs.97,667,690 in respect of fuel, oil and lubricants.	The company gives the fuel limits per vehicles to the fuel vendor guided by manufacturer's tank capacity and operational needs of each vehicle. Attached find a sample.			
	Emphasis of a matter				
13	**Contingent Liabilities**				

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe
	I draw attention to note 35 to the financial statements where the company has disclosed pending court cases and disputed claims arising from debts inherited from Nairobi City Council amounting to Kshs.5,640,150,798, (2020: Kshs.5,413,130,798) which the Company has been enjoined as a defendant plus other pending suits instituted against the company. Management is of the opinion that the outcome of these litigations and claims were yet to be determined. Although, the directors believe that the ultimate resolutions of these legal proceedings, claims and tax exemptions application are not likely to have a material effect on the results, the Company operations may be adversely affected if these liabilities were to crystallise.				

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
14	**Contingent Liability between the Company and a Construction Company** As previously reported in the financial statements for Nairobi Sanitation Output Based Aid Project, there was a pending arbitration dispute between a local contractor and Nairobi City Water and Sewerage Company in respect to the Project whereby Management had failed to pay the contractor an advance payment of Kshs166,224,772.30 as agreed in the contract terms. The contractor had completed the project as at the time of this audit which was carried out in the month of September, 2021 with the likelihood of loss of funds arising from the dispute.				
	Prior Year Matters				
1	During the year - under review, the Company's performance on Non-Revenue Water (NRW) stood at 50% against a target of 33% translating to 66% performance as per performance notes of the financial statements. Review				

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	of records maintained by Nairobi Water and Sewerage Company revealed that the total water declared to have been produced for the year was 179,341,134 cubic meters as indicated in Managing Director's statement paragraph 1 at page 12 under Technical Directorate. However, physical verification and data collection carried out in the month of February 2022 revealed that the Company produced water totalling to 180,142,925.06 m3 from the four production stations from July 2020 to May 2021 resulting to an unexplained variance of 801,791.06m3 of water. Further, review of documents provided revealed that during transmission, the volume of water lost was 12,527,659.73 cubic meters. Consequently, the water available for distribution was 167,615,266.33 (m3). The Company billed water totalling to 95,213,578.21 m3 which constitute of billed				

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	volume distribution 86,795,901.00, Public Prepaid dispensers 45,520.58, Commercial 8,039,437.53 and CSR Informal settlements NMS Tankers 332,719.10. Had the Company billed the produced (treated) water totalling to 180,142,925.06 m3, the non-revenue water lower at 84,929,346.85 or 47% or 22%, over and above the World Bank recommended and adopted rate by WASREB of 25% could have been avoided. Further scrutiny of the records in respect of non-revenue water of 84,929,346.85 cubic meters revealed that the highest percentage of losses arose from the Commercial Billing with a percentage of 62% (Commercial Losses 53,005,594.33 m3, Technical Losses 21,289,157.68 m3 and NRW-transmission 10,634,594.84m3). The significant level of non-revenue water is an indication of inefficiency and lack of effectiveness in the use of public resources and, may negatively affect the				

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	Company's profitability and its long-term sustainability. In addition, the Company was in breach of the Water Services Regulatory Board's guidelines.				
2	**Unjustified Allowances in Respect of Formulation of Various Policies** The Company incurred an expenditure totaling to Kshs.10,734,500 in the year under review for formulation and presentation of the draft human resource policies and procedures manual, retreat for the sectoral committee on water and sanitation, review of the commercial operations policy and workshop in policy. As at the time of audit in 2022, the policies had not been implemented and no explanation was provided for failure to operationalize the respective policies and hence public funds may not have been utilized effectively. In the circumstance, it was not possible to confirm value for money in respect of the cost of Kshs.10,734,500 incurred on formulation of the policies.	The Policy formulation is a consultative process and the committee has been holding various meetings to ensure recommendations of all the stakeholders have been incorporated. Completion of work was greatly affected by the COVID-19 pandemic owing to the banning of gatherings hence stakeholder engagement was not possible.	MD/D HRA		
	Failure to Install Meters in Fire Hydrants	The Company has developed a plan and			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe
	A sample of records in respect of 16 fire hydrants revealed that out of the 16 hydrants, only 6 had been installed with meters. Failure to install meters in the fire hydrants put into question the control measures the Company has put in place to ensure proper accountability. Further, no records on amount of water drawn from each hydrant was provided. In the circumstance, it was not possible to establish how much water had been drawn from the hydrants and for what purpose and hence the value for money on unmetered hydrants could not be determined.	Budget provision to have meters installed from the first quarter of the next financial year, i.e. FY 2022/2023.			
	As disclosed under Note 8 to the financial statements, the staff costs reflects Kshs.6,317,742,440. This expenditure includes an amount of Kshs.1,054,519,352 as retirement benefits in respect of National Social Security Fund, Provident Fund/Pension Fund and Gratuity of Kshs.3,757,200, Kshs.883,202,727 and Kshs.167,559,425 respectively as well as				

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	Kshs.208,710,125 and Kshs.372,474,790 not remitted to LAPTUST and Lap Fund respectively contrary to Section 32(1) of Retirement Benefit Act Chapter 197 Revised Edition 2012. In addition, staff deductions during the year under review amounting to Kshs.208,711,877 were not remitted. In the circumstances, the Company was in breach of the law and is likely to be subjected to fines and penalties for non-remittance of pension's dues.				
	Irregular Payment to Kenya County Governments Workers Union Examination of the payroll revealed that Nairobi City Water and Sewerage Company has three unions in place namely: Nairobi Union of Water and Sewerage Employees (NUWASE) with 5 members, Kenya Union of Water and Sewerage Employees (KUWASE) with 322 members and Kenya Local Government Workers	Deductions or stoppage of deduction from employees' salaries for non-statutory obligations is done as per employees' instruction. For employees who have instructed the company to stop deduction to KCGWU, the same has been effected.			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	Union (KLGWU) with1,996 members. The Company signed a recognition agreement with NUWASE and KLGWU on 10 May, 2010, and 18 February, 2013 in accordance with labor relations Act 2007 Section 54(2). However, the signed recognition agreement between the Company and KUWASE was not provided for audit review. Review of the case No. 439 of 2010, the order stated that the 2nd respondent KLGWU was restrained from purporting to represent or hold itself out as an agent of the 1st respondent employees in any manner what's over from 1st April, 2011 and stoppage of any deductions and remittances to that Union dues to the respondent with effect from 1April, 2011. However, the Company went ahead and remitted Kshs.14,936,000 against the court orders in the year under review. No explanation was provided by the Management on why they engaged a union that had been rendered null and void by the Court of Kenya.				

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	In the circumstance, it was not possible to confirm the legality of the payment of Kshs.14,936,000 for the Union.				
	Non - Remittance of Dues to Central Organization of Trade Unions (COTU) COTU through a letter dated 12 January, 2021 referenced COTU/UD/LN/2013/40 wrote to the Company in respect of non-remittance or withheld COTU union dues of Kshs.150 and Kshs.20 per month from every member unionized in the Company with effect from 2010. Review of records provided revealed that the Company had remitted all the funds to KCGWU which therefore leaves the Company with a debt of Kshs.44,790,240 (170x1996x12x11) owed to COTU. Further, it was observed that from the minutes held on 17 November, 2021 that the Company continued to deduct funds for both COTU and KCGWU and remitted them to KCGWU. However,	Apportionment of payment is divided into three i.e. KCGWU National Office, KCGWU Branch and COTU as advised by the KCGWU National Office. Deduction of 170/= to COTU is currently being done	MD/FD/FM(E&R)		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	KCGWU failed to remit the COTU dues as a result the Company was still in debt to COTU. No explanation was provided by the Management on why all the deductions were remitted to KCGWU instead of adhering to the instructions issued by to the Union which highlighted the amount to be remitted to various organizations. In the circumstances, the Company is in breach of the law and may be exposed to loss of public funds.				
	5. Unvalued Assets Note 15 to the financial statements reflects property, plant and equipment balance of Kshs.3,322,286,870 which included net book value of Kshs.30,738,435 in respect of motor vehicles and motor cycles as at 30 June, 2021. It was established that although the Company has 228 vehicles and 204 motor cycles, only eight vehicles procured in the financial year 2020/2021 were charged depreciation. The balance of 220 vehicles and 204 motor cycles procured at a	The accounting for a fully depreciated asset by a company is that you can continue reporting its cost and accumulated depreciation on the balance sheet. No additional depreciation charge is required for the asset. The company still owns the item, and needs to report this			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	cost of Kshs.254,956,932 and Kshs.68,254,868 respectively had a nil net book value, however, the 174 vehicles and 128 motorcycles procured in 2014, 2015 and 2016 for vehicles and 2014 for cycles were in good condition and in use but had not been revalued. Further, out of the Company fleet of 228 vehicles and 204 motor cycles, 46 vehicles and 76 motor cycles had been grounded. No action has been taken by the Management on the grounded vehicles and in addition, the Company did not provide any records indicating the basis for the grounding and how long the vehicles have been grounded and as such this is likely to lead inefficient utility of public resources. In the circumstances, it was not possible to confirm value for money in respect of the grounded vehicles.	ownership to stakeholders. The organization can include a financial note or disclosure indicating the full depreciation of the asset as indicated on the schedule of fixed assets. **Access and dispose company grounded vehicles** The Company has drafted disposal policy and it is in draft form to enable grounded vehicles valuation and disposal process to be carried according to PDDA requirements			
	Unsupported Court Cases in Respect of Unions Review of the legal documents maintained by the	In May 2010, the Company signed a Collective Bargaining Agreement with the National Union of Water			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	Company, revealed that as a result of these Union cases, the Company was taken to court for various gaps resulting to nine (9) legal cases. This therefore led to hiring of advocates resulting to unknown legal fees whose fee notes and charges were not provided for audit review with the likelihood of loss of public funds. In the circumstances, it was not possible to confirm value for money for the costs of unknown value.	Sector Employees (NUWASE) which was registered after the reforms effected to the water sector in 2002. An overwhelming majority of the Company's employees however, elected to retain membership with the Kenya Local Government Workers Union (KLGWU) which was the union they had been allied to when the Water Department was part of the City Council of Nairobi. A tug of war for members ensued resulting to a myriad of suits being filed in court by NUWASE against KLGWU, the Company and City Council of Nairobi (CCN). The suits related to conflict between NUWASE and KLGWU, non-remittance of union dues by the Company and arrears as owed to its members.			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	Non-Compliance with National Cohesion & Integration Act 2008 on Ethnic Diversity A review of the human resource records revealed that Nairobi City Water and Sewerage Company Prepay payroll for 2020-2021 financial year comprised of 46% of the staff from one dominant ethnic community contrary to the requirements of section 7(2) of the National Cohesion and Integration Act, 2008. In the circumstances, the Company is in contravention of the law.	The company inherited most of the staff from defunct City Council Nairobi City and we are striving to ensure this is corrected in the future. Also note most of the Treatment works and Dams are located outside Nairobi in the counties of Kiambu , Muranga and Nyandarua which is mostly inhabited by one community. Hence the requirement of the local to be 70% distorts the whole ratio of the workforce.	MD/D HRA		
	Incomplete Projects Examination of documents maintained by the NCWSC revealed that thirty-four (34No.) projects with contract sums totalling to Kshs.2,330,140,736 had not been completed within the stipulated period of which some contractors had vacated the sites therefore exposing the projects to further vandalism. Non-completion of the projects affects service	• The works progress was impacted negatively following the onset of COVID - 19 pandemic. The Contractor has since resumed works on site and agreed to undertake the works using the same rates.			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe
	delivery to citizen and value for money may not have been attained. In the circumstances, it was not possible to confirm value for money in respect of the incomplete projects mounting to Kshs.2,330,140,736.				
	Computer Software Licenses Note 16 reflects a net book value balance of Kshs.114,975,703 in respect of computer software with additional software of Kshs.115,779,352 having been acquired during the year under review. Examination of records provided for audit review revealed that the Company had thirteen software out of which six (6) required monthly licenses of Kshs.12,855,570 for the three-software (MTCE Oracle EBS & Interface Development of Kshs.11,079,470, Perpay annual maintenance fee of Kshs.476,100 and service and maintenance of MFA & Majivoice for April 2020 to March 2021 of Kshs.1,300,000). During the	There are no excess licenses procured. Each application used in the company is distinct to one another and used for specific functions Basis Two is core system used for billing and revenue collections. Oracle business system(ERP) is the financial systems that handles the payables, receivables, cash management, asset register and GL functions. The system is used for financial reporting. The interfaces provide information flow from basis two billing			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	year under review, an amount of Kshs.4,545,967 was paid in respect of the licenses. It was established that the Company engaged Basis 2 as their main application for the water billing. However, it continued to engage MTCE ORACLE EBS & Interface Development for the meter application services which is a module in Basis 2 application. No explanation was provided as to why the two different modules were in use for the same purpose which increase the maintenance cost for the Company and therefore negating value for money principle. In the circumstances was not possible to confirm the value for money for licenses costing Kshs.12,855,570.	system to the oracle financial reporting system. This is pipe that enables information flow between the two system. On daily basis all the information captured in basis two is passed to the GL in oracle financials, receivables, payables and cash management Oracle MTCE is the maintenance contract for the oracle ERP financial system which is different from the basis two billing system as highlighted above. This include the interface developed to allow the data flow between the core billing system and oracle ERP financial system. The company does not use oracle EBS system for meter reading but			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
		use Utility master (MFA)for meter reading which captures the image of the meter and reading. This is the field operation application for commercial used for reading and disconnection of meters Per pay is the system used for payroll processing and Human resources database. This is the stand alone system. To eliminate manual entries to oracle EBS financial reporting system an interface was developed between the two system that ensure seamless data flow between the two system. Key benefits includes elimination of errors associated with manual data entry and auto reconciliation's			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe
	13.0 Incomplete Projects Examination of documents maintained by the NCWSC revealed that thirty-four (34No.) projects with contract sums totaling to Kshs.2,330,140,736 had not been completed within the stipulated period of which some contractors had vacated the sites therefore exposing the projects to further vandalism. Delayed Works on Proposed Relocation of Water and Sewer Pipelines along Waiyaki Way Contract No. NCWSC/85/2016-Proposed Denholm Savannah Sewer Upgrade Works Reinstatement of Concrete Paved Roads Proposed Falcon Road and Road A Sewer Rehabilitation. Contract No.NCWSC/83/2016/ Proposed Riruta Sewer Extension Works Contract No. NCWSC/86/2016	• The works progress was impacted negatively following the onset of COVID - 19 pandemic. The Contractor has since resumed works on site and agreed to undertake the works using the same rates.	TD/MD/EM	Ongoing	