



AUDITOR GENERAL'S
DEPARTMENT OF JAMAICA



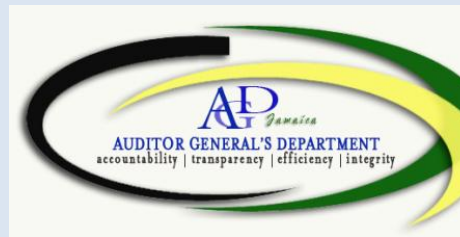
Performance Audit Report
National Water Commission
Effectiveness of Managing Capital Projects
Assessing Budget Credibility at the Entity Level

"A better Country through effective audit scrutiny"

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The Department is headed by the Auditor General, Pamela Monroe Ellis, who submits her reports to the Speaker of the House of Representatives in accordance with Section 122 of the Constitution of Jamaica and Section 29 of the Financial Administration and Audit Act.

This report has been prepared by the Auditor General's Department of Jamaica for presentation to the House of Representatives.



Auditor General of Jamaica
Auditor General's Department
40 Knutsford Boulevard, Kingston 5
Jamaica, W.I.
www.auditorgeneral.gov.jm

Vision

A better country through effective
audit scrutiny

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AT A GLANCE

Who is the National Water Commission?

The National Water Commission (NWC) is the government agency that supplies piped water and manages wastewater services across Jamaica. It serves over 75 per cent of the population with piped water and close to 30 per cent with sewerage services. The Commission supplies 190 million gallons of potable water every day to approximately two million people, through more than 1,000 water supply facilities and 11,000 kilometres of water pipes.

About NWC's Capital Works Programme

NWC's capital works programme is focused on expanding water service coverage, replacing old infrastructure, improving operational efficiency, meeting health and environmental standards, supporting land development, and maintaining reliable service. However, its impact has been limited by external challenges and rising operational demands.

What did the Auditor General examine?

The Auditor General's Department (AuGD) examined how well the NWC planned and managed its capital budget over five years, from April 2019 to March 2024. Capital spending is money used to build, repair, and upgrade water pipes, pumping stations, treatment plants, and other water infrastructure. Over that period, NWC planned to spend \$44.92 billion on capital projects.

The key question we asked was: "Is NWC effectively managing its capital budgeting process, ensuring credibility and transparency to support the achievement of its strategic objectives?"

KEY MESSAGES

1 NWC consistently spent less on water infrastructure than it planned. Actual capital spending fell short of the budget in four of the five years. This means planned improvements to water, and sewerage systems may have been delayed.

2 The budget for internally funded capital projects was not aligned with NWC's financing capacity. The budget for projects funded from NWC's own revenues grew from \$1.5 billion to \$2.9 billion over five years, even though NWC's financial position did not improve enough to finance these projects.

3 A US\$3.6 million financial management system did not work effectively. NWC spent at least US\$3.6 million on a financial management system, with modules that remained partly ineffective due to ongoing system problems.

4 Non-Submission of Audited Financial Statements and Annual Reports. NWC has not submitted its audited Financial Statements or Annual Reports for four years in a row (FY2021/22 to FY2024/25).

5 The majority of the contracts ran late. Of 50 contracts reviewed, 29 experienced delays ranging from three to 29 months. NWC did not always use its legal rights to claim compensation when contractors performed poorly.

6 NWC did not meet KPI targets. NWC did not meet critical targets for revenue growth and operational efficiency for FY2019/20 to FY2024/25, except for revenue growth target for FY2022/23. This could undermine progress towards its strategic objectives and the effective delivery of its Capital Programme.

What does this mean for you?

If you have experienced low water pressure, irregular water supply, or unreliable sewerage services, the weaknesses found in this audit help explain why. When NWC under-spends its capital budget due to limited financial resources, critical repairs and upgrades are delayed. When the financial system fails and reporting is incomplete, neither the Government nor the public can properly hold NWC accountable.

The NWC's infrastructure is ageing; approximately 70 per cent of its systems are more than 40 years old. Consistent and well-managed capital investment is essential to ensure that every Jamaican has reliable access to safe water and sanitation services.

EXECUTIVE SUMMARY

The National Water Commission (NWC) is mandated to provide potable water and wastewater services to the public. This mandate aligns with Sustainable Development Goal 6 (SDG-6), which promotes universal and equitable access to clean water and sanitation services. According to NWC's Strategic Plan for FY2020/21 to FY2024/25, approximately 70 per cent of the Commission's infrastructure is over 40 years old, raising concerns about its ability to consistently deliver reliable services. To fulfil its mandate and address these challenges, NWC deploys significant resources to undertake capital projects aimed at rehabilitating and expanding its potable water and wastewater systems. Between FY2019/20 and FY2023/24, NWC budgeted \$44.92 billion in capital expenditure to support the maintenance and improvement of its infrastructure.

We conducted an audit to evaluate the efficiency and effectiveness of the NWC's management of capital projects and to assess alignment with the organisation's budget and strategic objectives.



Key Audit Question

Is the NWC effectively managing its capital budgeting process, ensuring credibility and transparency to support the achievement of its strategic objectives?

What We Found

Capital Project Planning, Identification and Prioritisation

1

NWC prepared Water Supply Improvement Plans that identified service gaps in each parish and assessed the capacity of water supply systems, population access, and projected demand up to 2030.

NWC indicated that the Parish Plans informed the Commission's Capital Investment Plan (CIP) for 2015 to 2030, which prioritised 17 major projects valued at \$394.1 billion (US\$3.3 billion) to increase water production, reduce non-revenue water, and improve access to potable water and wastewater treatment services. These major projects subsequently informed the Capital Works Programme and annual capital budgets during the review period. Of the \$394.1 billion projected in the CIP, \$138.9 billion (US\$1.2 billion) was proposed for the first of three project implementation cycles covering the years 2015 to 2020.

As reported by NWC, the initial implementation cycle included the "Master and Development Plans — Water Supply and Sewerage Systems Plan", with a proposed budget of \$1.77 billion (US\$15 million). The plans were intended to inform the strategic direction and the key capital investment projects to be implemented through 2030. However, the Master and Development Plans were not provided for review. In their absence, NWC indicated that it relied on Preliminary Engineering Reports, including those developed for eight parishes to assess the feasibility of capital projects and guide implementation.

NWC's project prioritisation process lacked documented rationale and consistent application of scoring and ranking, thereby undermining the objectivity and transparency of capital project selection.

2

In each financial year, NWC developed a programme of capital projects along with associated budget allocations. These projects aligned with NWC's strategic objectives; however, we were not able to determine how NWC ranked each project in order of priority because the ranking rationale was not documented. Whereas maintenance projects undertaken by NWC's Divisional Operations were scored and ranked, we did not see the same for projects managed by the Engineering and Capital Projects (E&CP) Division.

Good practice is for NWC to rank projects against a clear, written set of criteria, typically cost, strategic fit, risk, and environmental impact, so that decisions can be reviewed and explained. Because NWC did not document how it weighed these factors or scored projects against them, we could not confirm how it chose which projects to fund when money was tight. In September 2025, NWC accepted this recommendation and committed to developing a formal prioritisation framework.

Financial Management and Capital Budgeting

The budget for internally funded capital projects was not aligned with NWC's financing capacity, which could undermine the credibility of the budget.

3

NWC funds capital projects from three main sources: the K-Factor Programme (a charge added to customer water bills, specific allocated for capital works), NWC's own operating revenues, and loans. The K-Factor Programme was slated to fund \$15.5 billion as a standalone financing source and \$4.5 billion jointly with other sources of financing. During the period, NWC generated \$22.9 billion from the K-Factor Programme, surpassing its budgetary requirements. However, the shortfall arose in the second category: projects intended to be financed from NWC's own operating revenues. The budget for these internally financed projects grew from \$1.5 billion in FY2019/20 to \$2.9 billion in FY2023/24, but NWC's financial position, marked by ongoing losses, low liquidity and rising payables, did not improve enough to fund them. In short, NWC budgeted to spend money from its own revenues that it was not, in practice, generating.

Although NWC's net income improved, this did not translate into stronger liquidity, and payables continued to rise.

4

2.1 NWC's net income improved from a loss of \$5.7 billion in FY2019/20 to a profit of \$0.2 billion in FY2023/24. However, this did not translate into stronger liquidity. NWC's ability to meet its short-term liabilities weakened: for every dollar owed in the short term, it had only 50 cents in cash and near-cash assets in FY2023/24, down from 80 cents in FY2016/17. Payables increased from \$10.6 billion in FY2016/17 to \$33.2 billion in FY2025/26. Our review of the ageing analysis as at March 2026 revealed that the entity's receivables were insufficient to support timely settlement of its payables, thereby exposing it to liquidity pressure (**Table 8**). While total payables amounted to \$33.2 billion, net receivables totalled only \$4.6 billion, indicating that amounts expected to be collected could cover only a small portion of outstanding obligations. Further, a significant concentration of balances was aged over 90 days, with payables of \$27.45 billion and gross receivables of \$20.9 billion in this category; however, \$18.3

billion of these receivables had already been provided for as bad debt, leaving only \$2.6 billion as likely recoverable (see **Receivable Details in Appendix 5**). This suggests weak collections and a heightened risk that the entity may be unable to realise sufficient cash inflows to settle creditors promptly, increasing the likelihood of prolonged overdue payables and strain on supplier relationships.

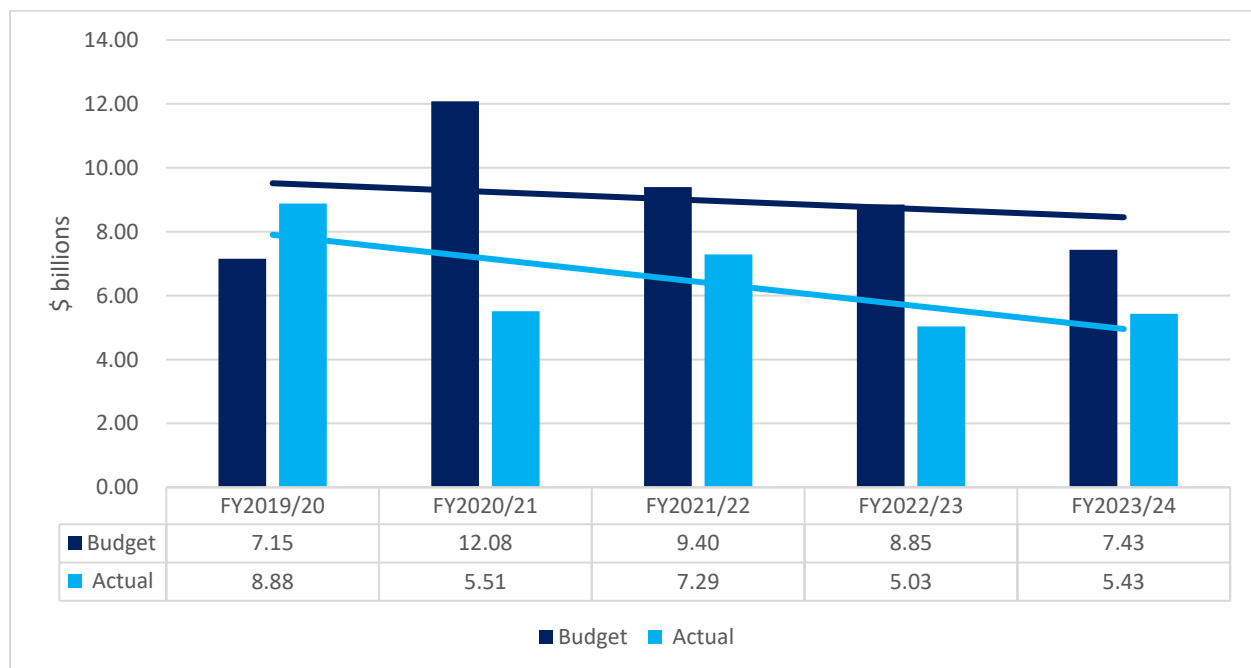
Despite this, the internally financed budget increased from \$1.5 billion to \$2.1 billion between FY2019/20 and FY2023/24. The pattern indicates that NWC's capital budget assumed an improvement in its financial position that did not occur. Building a larger capital programme on revenues that NWC was not generating produced predictable funding gaps, contributed to under-execution of the capital budget (see **Finding 5**), and shifted financing pressure onto payables, risking misleading decision-makers about what the Commission can deliver.

Across the review period, NWC delivered substantially less capital work than its budgets called for, with implications for water and wastewater service reliability.

5

We expected NWC to deliver capital projects in line with its approved budget, with budgets themselves anchored in credible forecasts of revenue, expenditure and financing. NWC's total capital budget rose from \$7.2 billion in FY2019/20 to a peak of \$12.1 billion in FY2020/21, then declined in each subsequent year, and apart from FY2019/20, was under-executed in every year of the review period (**Figure 1**). The causes are set out in **Finding 4**. The consequence falls on service delivery: planned investments in water, sewerage and treatment infrastructure were deferred or scaled back, with implications for the reliability of services to the public.

Figure 1: NWC's Capital Expenditure for FY2019/20-FY2023/24 in \$billions



Source: NWC's Audited and Unaudited Financial Statements and E&CP Monthly Status Reports

Contract Management and Reporting



Fifty-eight per cent of audited contracts (29 of 50) ran late, with delays of three to 29 months.

6

Our review of 50 contracts found that delays were due mainly to contractor underperformance, NWC entering into works contracts without first securing the requisite pipelines, unresolved land access issues, slow approval of variation orders, delayed fund disbursements and legal challenges. We expected NWC to apply strong project and contract management, including adequate project planning and effective oversight, to ensure capital projects were delivered on time, within budget, and with value for money. Case study reviews for five contracts revealed delays up to 29 months, tied to NWC's failure to enforce contractual remedies and provide timely responses to contractor claims. These issues negatively impacted the timely and effective completion of critical water supply improvement initiatives, highlighting the urgent need for improved contract management practices and stronger oversight mechanisms.

Capital project expenditure information submitted to the Board and Portfolio Ministry was incomplete, undermining capital budget credibility and the ability of management to make informed decisions.

7

During the period FY2019/20 to FY2023/24, NWC's Management submitted monthly reports on capital project expenditure to the Board, but these covered works contracts only and excluded expenditure on material and equipment supply contracts. In keeping with good public financial management practices NWC should maintain accurate, timely and complete contract expenditure records to support decision-making and effective resource allocation. We noted that NWC's quarterly reports to the Portfolio Ministry did not include explanations for cost variances and time delays. Under the Public Bodies Management and Accountability (PBMA) Act, the Commission is required to submit quarterly reports within one month of each quarter's end, including performance summaries and explanations for any significant variances. The inconsistent and incomplete reporting undermined the credibility of the capital project budget and limited management's ability to make informed decisions, reducing accountability and affecting project delivery.

Performance Management

NWC did not obtain full value for US\$3.6 million spent on its Financial Information Management System (FIMS), as key modules were not fully operational due to ongoing system problems.

8

NWC paid US\$3.6 million for the implementation of a Financial Information Management System, a computer system to manage financial records and reporting. The system, upon implementation, should have delivered full, reliable functionality across all key financial modules, enabling accurate, complete, and timely financial information generation and effective operational oversight. NWC reported that it experienced significant implementation impediments, which resulted in incomplete financial records, persistent reconciliation issues, and inability to fully utilise all modules, including procurement, inventory management, and accounts payable. In December 2025, NWC engaged a new contractor at a cost of US\$198,000 to address ongoing system deficiencies.

9

NWC was non-compliant with statutory reporting requirements by failing to submit Audited Financial Statements and Annual Reports for four consecutive financial years.

NWC did not submit its Audited Financial Statements and related Annual Reports for four consecutive years (FY2021/22 to FY2024/25) to the responsible Minister for tabling in Parliament, in breach of the PBMA Act, which requires the submission of Annual Reports including the Audited Financial Statements within four months after the end of each financial year. This non-compliance undermines transparency and accountability and may adversely affect stakeholder confidence and regulatory oversight.

10

NWC did not meet critical targets for revenue growth and operational efficiency for FY2019/20 to FY2024/25.

In keeping with the PBMA Act, NWC established KPIs in alignment with its strategic objectives. However, NWC did not meet KPI targets for Operational Efficiency, including energy efficiency and non-revenue water, over the review period. Further, apart from FY2022/23, NWC did not meet KPI targets for Revenue Growth during the review period.

Although NWC had set targets to increase access to potable water to 74 per cent and sewerage services to 20 per cent of the population by FY2023/24, the Commission did not measure and report on these KPI outcomes. Without sufficient performance tracking, progress towards these targets could not be measured. Subsequently, in November 2025, NWC reported on the KPIs for access to potable water (75.4 per cent against a new 79 per cent target) and sewerage services (29.9 per cent against a new 25 per cent target) for FY2024/25 in its Business Performance and Analysis Report.

What Should be Done

The table below sets out the key recommendations, together with measurable targets, deadlines, priorities and responses from NWC Management.

No.	Recommendation	Measurable target	Deadline	Priority	Management Acceptance (Yes/No)
1	Adopt and document a weighted scoring framework (Multi-Criteria Decision Analysis) for capital-project prioritisation, applied uniformly across all Divisions involved in capital projects, including the E&CP Division, Enterprise Development and Performance Monitoring (EDPM) Division, and Divisional Operations.	Approved framework and score sheets for 100 per cent of the FY2026/27 capital programme.	31 Mar 2028	High	Yes
2	Secure funding and complete the outstanding Master and Development Plans for all parishes not currently covered by Preliminary Engineering Reports.	Master and Development Plans tabled at Board for the six remaining parishes.	31 Mar 2028	Medium	Yes
3	Align the annual capital budget for internally financed projects with NWC's demonstrated financing capacity by basing the budget ceiling on realistic cash-flow forecasts and	Annual capital expenditure envelope ≤ forecast internal cash and committed external	FY2026/27 budget cycle	High	Yes

No.	Recommendation	Measurable target	Deadline	Priority	Management Acceptance (Yes/No)
	confirmed funding sources before budget submission.	finance, certified by external auditors.			
4	Adopt a Board-approved working-capital and payables-management plan	Quick ratio restored to ≥ 0.8 ; payables reduced by 15 per cent relative to FY2023/24.	31 Mar 2028	High	Yes
5	Strengthen contract management by enforcing contractual remedies promptly, including timely decisions on performance bonds, liquidated damages, variation orders and termination where contractors fail to meet obligations.	100 per cent of breaches actioned within 30 days; quarterly enforcement report to Board.	From Q1 FY2026/27	High	Yes
6	Improve project readiness before contract mobilisation by ensuring that required materials, land access, key approvals and other preconditions are secured before works begin.	No new works contract mobilised without documented confirmation of material availability and other critical preconditions; compliance reported quarterly.	From Q2 FY2026/27	High	Yes
7	Align procurement timelines to the budget cycle so that no works contract is signed before financing is confirmed, and no contract is delayed more than 90 days from budget approval.	100 per cent of new capital contracts compliant; quarterly compliance report to Board.	From Q1 FY2026/27	High	Yes
8	Establish a unified capital-reporting routine covering works, materials and equipment contracts; ensure quarterly reports to the Portfolio Ministry include cost-variance and time-delay explanations for every active project, in line with PBMA Act s.3(2).	100 per cent of monthly Board and quarterly Portfolio Ministry reports compliant.	From next quarter	High	Yes
9	Clear the backlog of audited financial statements (FY2021/22 to FY2024/25).	All four outstanding sets of audited statements tabled.	31 Dec 2027	High	Yes
10	Strengthen ICT project governance by requiring phased acceptance, enforceable module-level testing, and formal evidence of full functionality and data integrity before sign-off and final payment on major systems contracts.	Acceptance protocol approved by Board; applied to 100 per cent of new ICT major-systems contracts.	30 Jun 2026	High	Yes

Conclusion

Based on the evidence presented, there are significant concerns regarding the credibility of the NWC's capital budget. Three mutually reinforcing weaknesses have impaired credibility: (i) a project-selection process that is not documented or applied uniformly; (ii) an internally financed capital budget that is not anchored in a credible cash-flow forecast; and (iii) execution and reporting systems that do not capture all categories of capital spend on a timely basis. Implementing the recommendations in this report would re-establish the credibility of NWC's capital budget and strengthen its delivery of the public services Jamaicans rely on.