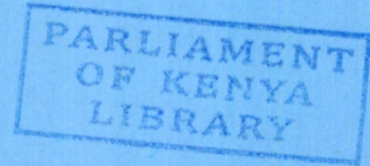


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REPUBLIC OF KENYA



*Enhancing Accountability*



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CLERK AT THE TABLE	A. MACHARIA

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**MURANG'A SOUTH WATER AND  
SANITATION COMPANY LIMITED**

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



# **MURANG'A SOUTH WATER & SANITATION COMPANY LIMITED**

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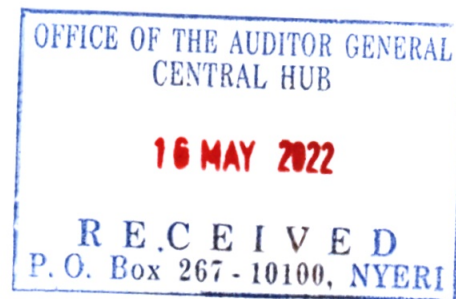
## **MURANG'A SOUTH WATER AND SANITATION COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2021**

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



**MURANG'A SOUTH WATER AND SANITATION COMPANY LIMITED  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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**MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.**  
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**KEY COMPANY INFORMATION AND MANAGEMENT**

**(a) Background information**

The company is incorporated in Kenya under the Kenyan Companies Act CAP 486 of the laws of Kenya, and is domiciled in Kenya, in Murang'a County and administered by Athi Water Services board.

**(b) Principal Activities**

The principal mission of the Company is to provide quality, affordable, reliable and sustainable water and sanitation services to our customers within Murang'a South, Kandara and Kigumo Sub-counties.

**(c) Key Management**

The Company's day-to-day management is under the following key Departments;

<u>Department</u>	<u>Name</u>
- Technical Services Department	- John Macharia
- Commercial Services Department	- CPA Tabitha Nderitu
- Audit, Risk & Governance Department	- CPA Paniel Mbogo

**(d) Directors**

<u>Name</u>	<u>Designation</u>
1. Mr. Julius K Manyeki	Chairman
2. Mr. Mathew Chege	Director
3. Ms. Nancy Muhoro	Director
4. CEO Representative ,AWSB	Principal
5. Ms. Beatrice Gicheha	Director
6. Ms. Mary Mwai	Director
7. Mr. John Kiiru	Director
8. Ms. Mary Nyaga	Managing Director

**(e) Company secretary**

Gikuhi Kiana & Company  
Certified Public Secretaries  
P.O. BOX 1271-10100  
Nyeri – Kenya

**MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.  
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**(f) Registered office**

Muswasco Offices  
Kandara Water Office  
P.o. Box 87 – 01034  
Kandara.  
Telephone: 0716 645 345  
Email: murangasouth@gmail.com

**(g) Independent auditor**

Auditor - General  
Office of the Auditor General  
P.O. Box 30084 – 00100  
Nairobi – Kenya

**(h) Company Bankers**

Equity Bank Ltd  
Thika Branch  
P.O Box 253-01000  
Thika

Unaitas Sacco Limited

Kangari Branch  
P.O Box 1145-10200  
Murang'a

Kenya Commercial Bank  
Ltd  
Thika Branch  
P.O Box 271-01000  
Thika

Amica Sacco Ltd  
Kandara Branch  
P.O. Box 4062  
Kandara



Sidian Bank Ltd  
Thika Branch  
P.O. Box 6043- 01000  
Thika

**(i) Principal Legal Advisers**


1. The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200- Nairobi, Kenya

**MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.  
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**THE BOARD OF DIRECTORS**

<b>DIRECTOR'S NAME AND PASSPORT-SIZE PHOTO</b>	<b>DIRECTOR'S DATE OF BIRTH, KEY QUALIFICATIONS</b>
 <p>Julius K. Manyeki (BOD Chairman) Year of Birth:1956</p>	<p>He was appointed on 29<sup>th</sup> March 2018 as a non-executive director representing the business community. He is a business man with interests in energy sector. He has vast experience in both public and private sectors and has been contributing immensely to the community, also he is a Board chair and member of various institutions. He holds a degree in Bachelor of Commerce and is pursuing Master's degree in Business Administration.</p>
 <p>Mathew Chege (Technical Committee Chair) Year of Birth:1966</p>	<p>He was appointed in on 29<sup>th</sup> March 2018 as a non-executive director representing farmers. He is a professionally trained teacher with over thirty years' experience. He holds a Masters of Education Planning Management &amp; Administration and a Degree in Bachelors of Education</p>
 <p>Nancy Muhoro (Finance Committee Chair) Year of Birth:1975</p>	<p>She was appointed on 9<sup>th</sup> December 2016 as a non-executive director representing Religious organisations. She holds a Diploma in Community Development. She has worked with several NGO's. She is an established leader and is involved in various social and local development initiatives.</p>

**MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.  
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 <p>Beatrice Gicheha (Director – Representing Murang'a County Government) Year of Birth:1985</p>	<p>She was appointed in as a non-executive director representing the Office of the Governor of the County Government of Murang'a. She holds a Bachelor's Degree in Education. She is currently the Sub-County administrator.</p>
 <p>Mary Mwai (Audit &amp; Risk Committee Chair) Year of Birth:1956</p>	<p>She was appointed on 28<sup>th</sup> June 2019 as a non-executive director representing women. She holds a Certificate in Strategic Planning and Management of Projects. She has also engaged herself in voluntary paralegal &amp; community work and is a respected opinion leader in the community.</p>
 <p>John Kiiru (Director)</p>	<p>He was appointed on 28<sup>th</sup> June 2019 as a non-executive director representing Professional bodies. He is a professionally trained teacher with over thirty years' experience. He holds a Bachelor Degree of Counselling and Psychology and a Diploma in Education Management. Year of Birth:1960</p>

**MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.  
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Richard K. Gikuhi (Company Secretary)  
Year of Birth:1952

He is the company secretary and has Master's degree in Business Administration from Moi University and Certified Public Secretary with a wide range of experience in Corporate Governance and management of over forty years.

He is an accomplished leader and a fellow of the Institute of Certified Public secretaries of Kenya and a member of the Kenya Institute of Management.



Mary Gathoni (Managing Director –  
Secretary to the BOD)  
Year of Birth:1958

She is the current Managing Director of Murang'a South Water & sanitation Company since 2008. She has a huge experience in Water sector and previously worked in the Ministry of water and irrigation. She is a water engineer and holds a Diploma in Water engineering and a Masters in BBA (Entrepreneurship)

**MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.  
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**MANAGEMENT TEAM**

NAME & PROFESSIONAL QUALIFICATION	AREA OF RESPONSIBILITY
 <p>Mary Gathoni Nyaga BBA (Entrepreneurship) Dip. Water Engineering (KEWI)</p>	<p>Managing Director</p>
 <p>CPA Paniel Mbogo Munyi CPA (K), Dip. Project Management (KIM) B.COM (Finance Option)-KCA</p>	<p>Head of Internal Audit</p>
 <p>John Macharia Wanjiku B.S.C(Water &amp; Environmental Engineering)-Egerton University</p>	<p>Head of Technical Services Department</p>
 <p>CPA Tabitha Waithera Nderitu Bachelor of Commerce (Finance Option)-Mount Kenya University. CPA (K)</p>	<p>Head of Commercial Services Department</p>

**MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.**  
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**CHAIRMAN'S REPORT**

It gives me pleasure to release our Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2021. We have seen another year of improved revenue growth and have made significant progress towards our service delivery in both the level and sustainability of growth. The revenues have continued to grow and as evidenced in the report we realized Ksh 185 million from Ksh 139 million registering a growth of 33%. This was achieved through implementation of various projects, continued rehabilitations of various service lines and encouraging our customers to service their pending water bills.

**Achievements**

- The company has commenced Makutano Water and sewerage project at a cost of Ksh. 689,651,517 fully funded by the National government which entails laying down of 19km 200mm & 160mm diameter Hdpe pipes from Kangari water supply-Githumu-Gitaimbuka, laying of 30km Hdpe pipes from Kenol water supply –Mareira-Kagunduini and construction of Kenol sewerage with treatment works at Delmonte downstream of Mitumbiri. This will help increase our water coverage, sewerage coverage and increase in revenue collections.
- Ongoing construction works of Kitui and Matuu towns last mile connectivity of water and sanitation works in TAWWDA & AWWDA at a cost of Ksh. 158,328,956. Entails laying down of 38kms 400mm, 355mm & 225mm Hdpe pipes from Kinyona intake-Kinyona treatment works – Mareira tank-Karimamwaro shopping centre and 30kms distribution lines of assorted pipe sizes between 110mm-63mm diameter. This will increase our water coverage area.
- Ongoing works of Murang'a south last mile connectivity water project by TWWDA at a cost of ksh. 26,853,325 which entails laying down of 6km transmission mainline of 160mm diameter with fittings from Ngaburi-Karuri area and construction of two break pressure tanks. This will help increase our water coverage and increase the revenue collections
- Ongoing construction of Maragua water and irrigation project by ministry of water and irrigation at a cost of Ksh. 889,352,840. This entails construction of a 15m high dam wall of capacity 800,000m<sup>3</sup>, water treatment plant of capacity 8000/m<sup>3</sup> at Gakoigo, 15kms raw water transmission mains and distribution lines. This will be a major boost to our water coverage areas.
- Increase in number of active connections from 33,403 connections in June 2020 to 35,685 connections by the end of June 2021.

**MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.  
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We are operating under the Water Act 2016. It is worth noting that the water services have been devolved and we are directly reporting to the County government of Murang'a.

It has been a year of further progress-strategically, operationally and financially. There is, however, no complacency, and in such rapidly changing environment we continue to need to focus our energies on shorter decision timelines, rapid deployment and strong customer focus. We can only do this successfully with excellent people and, on behalf of the Board, I take this opportunity to acknowledge the support of all stakeholders, Athi Water Services Board (AWSB), Murang'a County Government, Water Services Regulatory Board (WASREB), Water Sector Trust Fund (WSTF), CDF, Ministry of Water & Irrigation (MWI) through the District Water Officers (DWO). Not disregarding our suppliers and our esteemed customers for continued support and patience with us.

I also extend my gratitude to the Board of Directors, management and staff of MUSWASCO for their very considerable efforts, dedication and hard work in the past year. I look forward with confidence to your continued cooperation and support in the year ahead. God Bless.



.....  
**JULIUS K. MANYEKI**  
**BOD CHAIRMAN**

**MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.**  
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**MANAGING DIRECTOR'S REPORT**

**INTRODUCTION.**

Murang'a South Water and Sanitation Company has now been in existence for eleven years and has since achieved tremendous improvement despite various challenges faced. The total area of our Company is 934Km<sup>2</sup> with a population of 450,849 out of which the Company has managed to cover all in service provision, but has progressively grown in service coverage and is managing the water supplies of Kandara, Kigumo and Maragua (Murang'a South) sub-counties within Murang'a County.

I am pleased to present a review of MUSWASCO'S key operational performance for the year ended 30th June 2021. The review also highlights our strategic priorities in the short and medium-term focusing on improving service delivery to customers and ensuring sustainable business growth. Our role as a water service provider utility in Murang'a County is critical considering that water and sanitation services are an enabler and key drivers *for* economic and social development. In this regard, the Company made remarkable progress in the quest to enhance our water distribution network coverage and improve reliability of both water supply and sanitation services to the customers. Projects prioritized during the year included water extensions to new customers, markets and bus stops to enable them have access to clean water which is an essential especially in fighting the Covid-19 menace. Towards this, the Company deployed its technical and support staff to meet with the potential customers in the new areas to be served.

Despite our desire to sustain connectivity drive by further extensions and connection of customers to other unserved areas beyond our official area of service, improve system reliability and complete key projects, our operational performance during the year was affected by an unfavorable operating environment mainly caused by our continued implementation of a non-cost recovery tariff thus straining of Cash flow projections.

**PERFORMANCE REVIEW**

In the course of the year, the company's performance was in line with business and strategic plans and were influenced by the below achievements and challenges.

**During the year the Company achieved the following among others;**

- We have implemented a functional web based Integrated customer relations module, that allows access from any location offering improved and eased efficiency, timely solving of customer requests, eliminating redundancies and duplicated roles.

**MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.**  
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- The company has upgraded to a fully functional website in line with the regulator's (WASREB) requirements. This has assisted in improving the company's corporate image and will go in hand towards the implementation of the company's strategic plan.
- Through implementation of GIS the company have been able to digitize all laid down pipelines and proposed pipelines to be laid down in all our eleven branches. This can be viewed in Google earths.
- Performance management and staff capacity building through trainings was enhanced thus improving staff productivity.
- The management through collaboration with Kenya Market Trust fund have been able to source for funding to upgrade the current financial accounting system sage pastel partner to sage pastel evolution which have a great impact in the company's financial management processes.
- The company has an ongoing Performance Based Contract project in Kenol & Kabati to reduce NRW through Public Private Partnership.

**CHALLENGES**

- The company is still faced with high levels of NRW that has been contributed by bursts due to high pressures from bulk water into our dilapidated infrastructure, illegal connections/theft of water.
- High operational costs caused by operations and maintenance of dilapidated infrastructure, chemicals that are now funded internally after devolution.
- Lack of enough resources to address issues like augmentation of distribution lines, proper treatment facilities, rehabilitation and metering that require huge sums of money.
- Culture of our customers that is delay in payments of their water bills hence affecting the normal running of our operations.
- Political interference which has delayed approval of the new tariff.
- Rural road upgrade by KERRA has led to destruction of laid down pipes hence affecting the supply of water.
- Implementation of County Directive Tariff that revised our tariff downwards hence affecting our billing and revenue performance.

**MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Appreciation**

I take this opportunity to register my gratitude to the Board of Directors for their unwavering support, the corporate management team and MUSWASCO staff for their hard work, efforts, support and commitments which has made us register a positive growth, AWSB for their contribution and support both in kind and cash, County Government, CDF, DWO'S from the three sub-counties of Kandara, Kigumo, and Murang'a South (Maragua) for their continued support. We cannot forget the consumers of our services and suppliers who supported us throughout the year.



.....  
**MARY NYAGA**  
**MANAGING DIRECTOR**

**MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.**  
**FINANCIAL STATEMENTS**  
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**STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FY 2020/2021**

MUSWASCO has four strategic pillars within its strategic plan ie: provision of quality, affordable, reliable and sustainable water and sanitation services by meeting and exceeding customer and stakeholders' expectations.

Its strategic objectives within the current strategic plan are as follows:

- ❖ To increase access and coverage to safe water and sanitation services
- ❖ To reduce Non-revenue water to standard levels
- ❖ To enhance institution capacity
- ❖ To enhance financial sustainability
- ❖ To enhance accurate and reliable data
- ❖ To develop and operationalize policies in addressing cost cutting issues in compliance with the relevant Acts.

MUSWASCO develops its annual work plans based on the above four pillars based on a five-year strategic plan FY 2016/2017 to FY 2020/2021. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The company achieved its performance targets set for the year FY 2020/2021 period for its strategic pillars, as indicated in the table below.

	<b>Project</b>	<b>Scope</b>	<b>Result Areas</b>
1.	Supply, Delivery and Installation of New Consumer Connections Materials and Cold Water Meters in Kamahuha Cost: <b>Kes 17,841,032.00</b> <b>Status : Complete</b>	Trenching of pipelines to connect customers. Laying of pipeline and fittings. Installing customer water meters.	<b>Increase in water coverage %</b> -2500 new connections <b>Increase in Revenue Collection</b> - Increase in billing Dec 2019- 74,697.00 June 2021 - 421,598.00
2.	Expansion of Kinyona treatment works from 12000m3/day to 24000m3/day Cost: <b>Kes 68,000,00.00</b>	Construction of 12000m3/day sedimentation tank 4km dn300mm upvc pipeline. Installation of alum	<b>Increase Water quality %</b> -Doubling of treated water from 12000m3/day to 24,000m3/day

**MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.  
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	<b>Status: Complete</b>	dosing platform Installation and purchasing of lab equipment.	<b>Increase in Water Coverage %</b> 12000m3/day supplied to clear water tank for distribution
3	Implementation of Murang'a South Household Sanitation Project In Managua/Sabasaba Town. Cost: <b>Kshs. 7,114,012.50</b> <b>Status: Complete</b>	Construction of 500no. improved toilets for the urban poor and septic tanks	<b>Sanitation Coverage %</b> We achieved improved sanitation by reduction of unlined pit latrines and improving sanitation in Kabati, Kenol, Sabasaba and Maragua areas.
4.	22 No. boreholes drilled and rehabilitated	Rehabilitation of borehole and tanks New drilling, equipping, distribution and elevated tanks	<b>Water Coverage %</b> Improved water circulation in areas of low flows, improving customer satisfaction, hence revenue collection.

**MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.**  
**FINANCIAL STATEMENTS**  
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**CORPORATE GOVERNANCE STATEMENT**

**Approach to Corporate Governance**

Murang'a South Water & Sanitation Company Limited (MUSWASCO) and its Board of Directors are committed to achieving and upholding the highest standards of corporate governance.

The Board of Directors and entire management have committed themselves to act honestly, ethically, diligently and in accordance with the law, WASREB issued regulatory guidelines and Service Provision Agreement (SPA) requirements in serving the interests of MUSWASCO's stakeholders, i.e employees, customers and the communities within our area of jurisdiction (Kandara, Kigumo and Murang'a South Sub counties).

**Functions and Responsibilities of the Board of Directors**

The implementation of corporate strategies and day-to-day management of MUSWASCO affairs are delegated to management through the managing director, however the Board retains specific responsibility for:

- Defining the limits of authority of the Managing Director and the other corporate management team members in a schedule of duties;
- Reviewing and approving business plans and (annual) budgets in accordance with the Service Provision Agreement;
- Reviewing and approving major expenditure, capital management and acquisitions;
- Reviewing and approving systems of risk management, internal controls and compliance, codes of conduct and legal compliance;
- Approving the Company's financial and accounting policies and financial statements;
- Monitoring the Company's operational and financial position and performance;
- Monitoring compliance with statutory requirements, regulatory directives and guidelines issued by WASREB and ethical standards;
- Evaluating its own performance at least once every year based on the Service Provision Agreement;
- Approving the Company's financial and accounting policies and financial statements;
- Monitoring the Company's operational and financial position and performance;
- Monitoring compliance with statutory requirements, regulatory directives and guidelines issued by WASREB and ethical standards;
- Deciding on any matters which exceed the authority limits delegated to the Managing Director.

**MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.**  
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**Board Composition and Succession**

Directors constituting a professional mix are appointed from the Stakeholders through a competitive stakeholder participation procedure (advertisement for positions) such that no individual or group of individuals or interests can dominate its decision making.

Athi Water Services Board is responsible for advertising in the local media positions for the Board of directors and setting the criteria for those eligible to apply in accordance with the corporate governance guidelines.

The Board has also adopted a policy on the appointment, tenure and retirement of Directors.

**Director Orientation**

All directors undergo formal training on their role, duties, responsibilities and obligations as well as Board practices and procedures on first appointment and subsequently at least once every three years. This includes full briefings on current and emerging issues, meetings with key managers and tours of operational sites.

**Board Committees and Meetings**

The Board convenes an average of four meetings per year. The agenda, frequency and length of meetings are determined by the Chairman in consultation with the Managing Director.

To assist in the execution of its responsibilities and to allow detailed consideration of complex issues, the Board has established three committees:

- Technical Committee
- Finance /HR Committee
- Audit Committee.

The Board committees meet at least four times each financial year to discuss various issues on performance and position of the company. Ad hoc Board and committee meetings may be convened to consider particular unforeseen matters. Unless expressly delegated by the Board to one of its committees, all matters determined by committees are submitted to the full Board as recommendations for Board decision and approval.

**MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.**  
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**MANAGEMENT DISCUSSION AND ANALYSIS**

Murang'a South Water and Sanitation Company is a registered Company operating under Water Act 2016 and manages the water supplies of Kandara, Kigumo and (Murang'a South) sub-counties within Murang'a County. The company consists of four Corporate management team who heads four major key departments as shown above.

The company has 13 schemes which run as branches to the company though they are centrally managed at Kandara headquarter office. This due to the wide geographical area that the company covers of 934Km<sup>2</sup>.

The company also has 157 hardworking and committed staff who operate on the 13 schemes the company has within Murang'a South area. The staff are employed under permanent and pensionable basis.

In addition, the management is committed to ensure the company complies with statutory obligations such as payment of PAYE, NHIF, NSSF and taxes are compiled to on monthly basis.

During the year the company has continued to be hit by effects of political interference which hindered implementation of a new Tariff approved by WASREB. The County Government is yet to approve the new proposed tariff by WASREB hence making it difficult for the company to meet most of its operation costs.

**ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

MUSWASCO exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/citizen first, delivering relevant goods and services and improving operational excellence. Below is an outline of the organizations policies and activities that promotes sustainability.

**i) Sustainability strategy and profile**

The management has made several proposals to potential donors such as National government, County government, WSTF, ATHI, World bank, Kenya Mark Trust fund and private partnership programs whereby we have received ongoing grant projects worth over ksh. 2billion.

**ii) Environmental performance**

The company has made some significant efforts to improve environmental performance such as an ongoing Decentralized treatment facility which will help improve waste management, construction of over 500 subsidized toilets to

**MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.**  
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residents of Kenol, Kambiti, Sabasaba and Maragua areas whereby it will improve sanitation and construction of ablution blocks in towns of Kimorori, Kamahuha, Kambiti and Maragua.

**iii) Employee welfare**

The policies guiding the hiring process are the company's human resource policy, labour laws and employment act. Currently the gender ratio is within the recommended standards of a third rule. The company also holds a stakeholders meeting annually and when need arises and matters pertaining welfare and hiring process are normally outlined. The company has a performance management system where staff are appraised on quarterly basis and rewarded after the appraisals. We have also initiated the process of registering with OSHSA awaiting certification.

**iv) Market Practices**

**(a) Responsible completion practices**

The company has an anti-corruption policy which is adhered to, involves the County Government of Murang'a on all projects we intent to carry out whereby they issue a letter of no objection. Fair competition and respect for competitors is guided by WASREB boundaries clearly specified in the license.

**(b) Responsible supplier relations**

The company has a one-year contract with our suppliers who underwent tender evaluation process FY 2020/2021 under procurement act laws. Payment terms with our suppliers is on credit term basis and payment is made upon delivery of all goods requested. In case of part payments or delayed payments, the company enters into a part payment agreement with the supplier on a reasonable monthly commitment payment structure.

**(c) Responsible marketing and advertisement**

The company maintains healthy ethical marketing practices such as engaging our customers through holding baraza's, have a customer care contact person in all our 13 branches, engages the customers through sms platforms, advertising through the company's website and public relations department.

**(d) Product stewardship**

The company makes efforts to safeguard consumer rights and interests through:

- ❖ Provision of quality water
- ❖ Adherence to the regulated tariff by WASREB
- ❖ Customer relations module to sort customer's queries
- ❖ Customer care department
- ❖ Maintaining of confidentiality on customer database

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**CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

We, at MUSWASCO are committed to providing reliable water supply services in the best interest of our esteemed customers and to continually improve quality standards in all aspects of our services to the satisfaction of our customers and stakeholders.

Besides striving to fulfill our primary mandate, the Company implemented its Corporate Social Responsibility agenda for FY 2020/21 by partnering with charitable organizations/institutions involved in undertaking targeted interventions that empower communities' social welfare and development causes.

**Touching Lives:**

The company was involved through improving water & sanitation in Maragua, Kimorori, Kiambamba, Kamahuha and Igikiro areas which saw construction of water kiosks and ablution blocks toilets in the areas. This was achieved through a subsidy obtained from Water Sector Trust Fund (WSTF).

The company was involved in a support food program for people with disability where a contribution was made towards a kitty aimed at improving their livelihood Murang'a county.

The company also connected free water to a disabled customer by purchasing water fittings and water meters from the service line to her homestead.

To ensure CSR is run efficiently and effectively and that community activities driven by commercial gain are separate from those that principally target to benefit the community, MUSWASCO plans to commission and complete an impact and needs assessment across our service area as a start point to understand the obtaining situation on the ground so us to develop a robust CSR plan and strategy for activities to be enshrined in our Strategic Plan (currently under review).

**MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**REPORT OF THE DIRECTORS**

The directors submit their report together with the draft financial statements for the year ended June 30, 2021 which disclose the state of affairs of the company.

**Incorporation**

The company is incorporated in Kenya under the Kenyan Companies Act CAP 486 of the laws of Kenya, and is domiciled in Kenya. The address of the registered office is set out on page iii.

**Principal activities**

The principal mission of the Company is to provide quality, affordable, reliable and sustainable water and sanitation services to our customers within Murang'a South, Kandara and Kigumo Sub-counties.

**Results of the year**

The net surplus for the year was Ksh. 3,533,730. The directors do not recommend the declaration of dividend.

**Dividends**

The Company does not declare dividends, where surplus is recognized, it's normally added to the retained earnings.

**Directorate**

The directors who held office during the year and to the date of this report are set out on the page iv to v.

**Auditor**

The books of accounts for the Financial year 20/21 were audited by the Office of the Auditor General.

**By order of the Board**

.....  
  
**Director/Company Secretary**  
**Kandara**

.....  
*16/05/2022*  
**Dated**

**MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 15 of the Public Finance Management Act, 2012 require the Directors to prepare financial statements in respect of Murang'a South Water & Sanitation Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year and the operating results of the Company for the year. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of Murang'a South Water & Sanitation Company.

The Directors are responsible for the preparation and presentation of the Murang'a South Water & Sanitation 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 ended on June 30, 2021. 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 Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012. The Directors are of the opinion that the Company financial statements give a true and fair view of the state of Company transactions during the financial year ended June 30, 2021, and of the Company financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company financial statements as well as the adequacy of the systems of internal financial control.

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

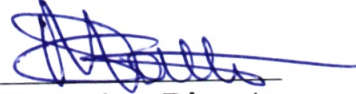
**MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Approval of the financial statements**

Murang'a South Water & Sanitation Company financial statements were approved by the Board and signed on its behalf by:



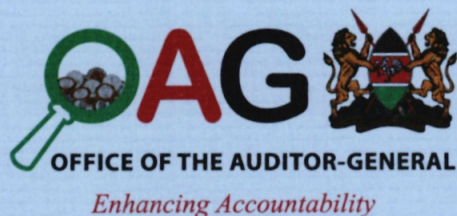
**Chairman**



**Managing Director**

# REPUBLIC OF KENYA

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



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

## **REPORT OF THE AUDITOR-GENERAL ON MURANG'A SOUTH WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021**

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### **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 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 Company.

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Murang'a South Water and Sanitation Company Limited set out on pages 1 to 26, which comprise the statement of financial position as at 30 June, 2021 and the statement of profit or loss and other

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Murang'a South Water and Sanitation Company Limited as at 30 June, 2021 and of its financial performance and its cash flow for the year then ended, in accordance with International Financial Reporting Standards, and comply with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Failure to Disclose Material Uncertainty in Relation to Going Concern**

During the year under review, the Company recorded a surplus of Kshs.3,533,730 thereby decreasing the accumulated deficit to Kshs.8,030,551 as at 30 June, 2021 from negative Kshs.11,174,801 as at 30 June, 2020. Further, the current liabilities balance of Kshs.150,569,723 exceeded the total current assets of Kshs.101,249,228 resulting to a negative working capital Kshs.49,320,494 as at 30 June, 2021. This is an indication that the Company may be experiencing difficulties in meeting its financial obligations as and when they fall due.

The financial statements have been prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the County Government and its creditors. However, this material uncertainty in relation to going concern and any mitigating measures put in place by the Company's Directors to reverse the undesirable financial position have not been disclosed in the financial statements.

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

Note 13 to the financial statements reflects trade and other receivables balance of Kshs.91,430,805 that includes trade receivables balance of Kshs.61,444,483 net of 10% general provision for bad debts of Kshs.6,827,165. However, analysis of the debtors aging analysis revealed that a balance of Ksh.39,846,561 was for customers with over one-year outstanding debts, casting doubt on the adequacy of the general provision for bad debts of Kshs.6,827,165.

In the circumstances, the recoverability of trade receivables balance of Kshs.39,846,561 was in doubt.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Murang'a South Water and Sanitation 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 qualified opinion.

### **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**

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

Various prior year audit issues remained unresolved as at 30 June, 2021. Management did not provide satisfactory reasons for the delay in resolving the prior year audit issues. In addition, some of the unresolved prior year issues were not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

### **Other Information**

The Directors are responsible for the other information, which comprises the Chairman's Statement, Managing Director's Report, Statement of Performance against Predetermined Objectives, Report of the Directors, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Corporate Social Responsibility Statement and the Statement of Directors' Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

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

#### **Conclusion**

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

#### **Basis for Conclusion**

##### **1. Staff Ethnic Diversity**

A review of the personnel records revealed that the Company's total number of employees was one hundred and fifty six (156) as at 30 June, 2021 out of which one hundred and forty three (143) or 91.7% comprised staff from the dominant ethnic community. This is contrary to Section 7(2) of the National Cohesion and Integration Act,

2008 which requires a public establishment to have not more than one third of its staff from the same ethnic community.

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

## **2. High Wage Bill**

Note 10(a) to the financial statements reflects an amount of Kshs.86,258,336,542 in respect to personnel costs representing 48.4% of the total expenditure of Kshs.178,166,700 which was 13.4% higher than the recommended ratio of 35% provided in Section 3.9 (10) of the Water Services Regulatory Board (WASREB) Corporate Governance Guidelines for the Water Services Sector, 2018.

In the circumstances, the excess personnel costs may negatively impact on the Company's profitability and sustainability of services if measures are not put in place to contain the cost within the acceptable levels.

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

During the financial year under review, the Company produced 5,670,320 cubic meters (m<sup>3</sup>) of water out of which only 2,977,607 cubic meters (m<sup>3</sup>) of water was billed (sold) to customers. The balance of 2,692,713 cubic meters (m<sup>3</sup>) or 47% of the total volume of water produced represented Non-Revenue Water (NRW) which was 22% over and above the allowable water loss of 25% as per the Water Services Regulatory Board guidelines.

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

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and 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 the audit, that:

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

### **Responsibilities of Management and Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015 and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for assessment of the effectiveness of internal control, risk management and governance.

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

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

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

The Board of Directors 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 governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,

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

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

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

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

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

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

- Conclude on the appropriateness of the Managements' 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 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 control that are identified during the audit.

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

14 July, 2022

**MURANG'A SOUTH WATER AND SANITATION COMPANY LTD**  
**Annual Reports & Financial Statements**  
**For the Year ended 30th June 2021**

**STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME**

	Note	2020 /2021 Kshs	2019 /2020 Kshs
Operating Income	8	185,901,229	139,163,404
Less Direct Costs	10 f.	50,282,267	24,114,282
<b>Gross profit</b>		<b>135,618,962</b>	<b>115,049,122</b>
Other income	9	46,083,319	18,373,526
<b>TOTAL</b>		<b>181,702,282</b>	<b>133,422,648</b>
Personnel Costs	10 a.	86,258,336	76,514,166
Directors Expenses	10 b.	1,635,100	1,501,577
Operating Expenses	10 c.	57,534,954	39,596,568
Administrative expenses	10 b.	23,661,660	15,894,437
Legal and Professional Expenses	10 d.	1,231,540	1,629,811
Finance costs	10 e.	7,846,962	8,752,881
<b>TOTAL EXPENSES</b>		<b>178,168,552</b>	<b>143,889,441</b>
<b>Surplus/ (Deficit) for Year Before Tax Expense</b>		<b>3,533,730</b>	<b>(10,466,793)</b>

**MURANG'A SOUTH WATER AND SANITATION COMPANY LTD**  
**Annual Reports & Financial Statements**  
**For the Year ended 30th June 2021**

**STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021**

	Note	2020 /2021 Kshs	2019 /2020 Kshs
<b>Non-Current Assets</b>			
Property, Plant and Equipment	14	185,164,819	151,766,657
		<u><b>185,164,819</b></u>	<u><b>151,766,657</b></u>
<b>Current Assets</b>			
Inventories	10g	1,782,648	1,763,362
Trade and Other Receivables	13	91,430,805	97,987,212
Cash at bank and in hand	11b	8,035,776	3,889,350
		<u><b>101,249,228</b></u>	<u><b>103,639,924</b></u>
<b>TOTAL ASSETS</b>		<u><b>286,414,047</b></u>	<u><b>255,406,581</b></u>
<b>Financed by:</b>			
<b>Equity</b>			
Capital Reserves		10,791,181	10,791,181
Retained Earnings		(8,030,551)	(11,174,801)
<b>Total equity</b>		<u><b>2,760,630</b></u>	<u><b>(383,620)</b></u>
<b>Non-Current Liabilities</b>			
Loan-Non Current	16	10,315,129	32,540,074
		<u><b>10,315,129</b></u>	<u><b>32,540,074</b></u>
<b>Current Liabilities</b>			
Trade and Other Payables	12	135,020,811	131,080,348
Current Loan	16	15,548,912	14,900,469
		<u><b>150,569,723</b></u>	<u><b>145,980,817</b></u>
<b>Deferred Income</b>			
Capital Grant	17 b.	122,768,565	77,269,310
		<u><b>122,768,565</b></u>	<u><b>77,269,310</b></u>
<b>Total Equity and Liabilities</b>		<u><b>286,414,047</b></u>	<u><b>255,406,581</b></u>

The financial statements set out on pages 1 to 24 were signed on behalf of Board of Directors by:

  
.....  
**Chairman**  
Date: 16/05/2022

  
.....  
**Managing Director**  
Date: 16/05/2022

**MURANG'A SOUTH WATER AND SANITATION COMPANY LTD**  
**Annual Reports & Financial Statements**  
**For the Year ended 30th June 2021**

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

	<b>Capital Reserves Kshs</b>	<b>Retained earnings Kshs</b>	<b>Total Kshs</b>
<b>Changes in equity in 2019/2020</b>			
As previously reported			
<b>At 1st July 2019</b>	10,791,181	(708,008)	10,083,173
Profit/(loss) for the year	-	(10,466,793)	(10,466,793)
<b>At 30th June 2020</b>	<b><u>10,791,181</u></b>	<b><u>(11,174,801)</u></b>	<b><u>(383,620)</u></b>
<b>At 1st July 2020</b>	10,791,181	(11,174,801)	(383,620)
Retained earnings adjustment		(389,480)	(389,480)
Profit/(loss) for the year	-	3,533,730	3,533,730
<b>At 30th June 2021</b>	<b><u>10,791,181</u></b>	<b><u>(8,030,551)</u></b>	<b><u>2,760,630</u></b>

**MURANG'A SOUTH WATER AND SANITATION COMPANY LTD**  
**Annual Reports & Financial Statements**  
**For the Year ended 30th June 2021**

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

	Note	2020/ 2021 Kshs	2019/ 2020 Kshs
<b>Cash flows from operating activities</b>			
<b>Loss before income tax</b>		3,533,730	(10,466,793)
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	14	6,621,140	4,884,119
Retained earnings adjustment		(389,480)	
<b>Operating profit/(loss) before working capital changes</b>		<b>9,765,390</b>	<b>(5,582,674)</b>
Decrease/(increase) in:			
Inventories	10g	(19,287)	1,440,387
Trade and other receivables	13	6,556,407	(8,727,275)
Increase/(decrease) in:			
Trade and other payables	12	3,940,463	17,148,419
Deferred Income		45,499,256	24,000,580
<b>Cash generated from operations</b>		<b>55,976,840</b>	<b>33,862,112</b>
<b>Net cash generated from operating activities</b>		<b>65,742,229</b>	<b>28,279,438</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	14	(40,019,301)	(29,136,805)
<b>Net cash generated used in investing activities</b>		<b>(40,019,301)</b>	<b>(29,136,805)</b>
<b>Cash flows from financing activities</b>			
Borrowings	16	15,843,881	38,740,771
Repayments of loan	16	(37,420,383)	(34,217,241)
<b>Net cash generated used in financing activities</b>		<b>(21,576,502)</b>	<b>4,523,530</b>
Net (decrease)/increase in cash and cash equivalents		4,146,426	3,666,164
Cash and cash equivalents at 1st July 2020		3,889,350	223,186
<b>Cash and cash equivalents at 30th June 2021</b>	11C	<b>8,035,776</b>	<b>3,889,350</b>

**MURANG'A SOUTH WATER AND SANITATION COMPANY LTD**  
**STATEMENT OF COMPARISON OF BUDGET FOR THE FINANCIAL YEAR 2020-2021**

**INCOME STATEMENT - Actual vs. Budget : 01/07/20 to 30/06/21**

<b>INCOME</b>	<b>ACTUALS</b>	<b>BUDGETED</b>	<b>VARIANCE</b>	<b>COMPLIANCE</b>
<b>Internal INCOME</b>				
Operating Income	185,901,229	196,560,000	(10,658,771)	95%
Other Income	46,083,319	49,539,295	(3,455,976)	93%
<b>TOTAL INCOME</b>	<b>231,984,548</b>	<b>246,099,295</b>	<b>(14,114,747)</b>	<b>94%</b>
<b>EXPENSES</b>				
Direct Costs	50,282,267	51,722,000	1,439,733	97%
Personnel Costs	86,258,336	84,516,000	(1,742,336)	102%
Directors Costs	1,635,100	1,800,000	164,900	91%
Administrative & Operating Costs	81,196,614	65,896,742	(15,299,872)	123%
Legal and Professional Expenses	1,231,540	1,745,508	513,968	71%
Finance Costs	7,846,962	7,901,724	54,762	99%
	<b>228,450,819</b>	<b>213,581,974</b>	<b>(14,868,845)</b>	<b>107%</b>

**Expalanations to Budget notes Variances**

Administrative & Other Operating Expenses	Due to recognition of provision for depreciation as an actual expense and is not factored in the budget.
Legal & Professional expenses	It was anticipated the legal expenses would increase due to unforeseen legal issues that would arise within the year requiring the Company to engage a professional lawyer as experienced in the previous year.

**Annual Report and Financial Statement**

**5**

**MURANG'A SOUTH WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2021**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. General Information**

MUSWASCO is established as a limited company and derives its authority and accountability from Water Act 2016. The entity is wholly owned by the County Government of Murang'a and is domiciled in Kenya.

**2. Statement of compliance and basis of preparation**

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

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**3. AMMENDMENTS TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS WITHIN THE FINANCIAL YEAR 2020-21**

<b>Amendment/Interpretation to a standard</b>	<b>Effective date</b>	<b>Impact</b>
IFRS16 Leases specifies how to recognize, measure, present and disclose leases	Effective for annual period beginning on or after 1 January 2019. Earlier application is permitted, if IFRS18, Revenue from contracts with customers, has also been applied. The amendments with regard to covid-19 are effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted, including in financial statements. Not yet authorized for issue at May 28, 2020.	Makes Amendments to the following Standards: The standard provides a single lessee and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and from the distinction between operating and finance leases is retained.  (This Standard is not relevant to MUSWASCO Ltd hence has no impact to the Company since it does not deal with lease contracts)
IAS 8 Accounting policies changes in accounting estimates and errors.	The Amendment is effective for annual reporting periods beginning on or after January, 2020. Earlier application is permitted.	<b>IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors</b> Is applied in selecting and applying accounting policies, accounting changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting estimates are generally accounted for on a prospective basis.  (This Standard is not relevant to MUSWASCO)

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		Ltd for this financial period as it did not develop any new accounting policies)
<p><b>AS 12</b> Income tax consequences of payments on financial instruments classified as equity</p> <p>issued December 2017)</p>	<p>Effective for annual period beginning on or after 2 January 2019</p>	<p><b>IAS 12 Income Taxes Income tax consequences of payments on financial Instruments classified as equity</b></p> <p>The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.</p> <p>An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.</p> <p>(This Standard is not relevant to MUSWASCO Ltd hence has no impact to the Company as it does not pay Dividends)</p>

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**4. Summary of significant accounting policies**

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

**(a) Revenue recognition**

Revenue represents the fair value of consideration received or receivable for the sale of goods and services in the course of the company's activities. It is recognized when it is probable that future economic benefits will flow to the company and the amount of revenue can be measured reliably.

**(b) Property, plant and equipment**

Property, Plant & Equipment are stated at cost, less accumulated depreciation and any impairment in value. The cost of laying new pipes, installing new meters, replacing old pipes and meters is capitalised under plant, property and equipment's.

**(c) Depreciation**

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

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

<b>Item</b>	<b>Rate - %</b>
Furniture, Fittings & Equipment's	12.5%
Water Kiosks and Equipment	12.5%
Water Meters	12.5%
Motor Vehicle / Cycles	25%
Computer & Computer Equipment	30%
Infrastructure Pipeline	2.50%

A full year's depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal.

**(d) Inventories**

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

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**(e) Deferred Taxation**

No deferred taxation is provided as there are no timing differences.

**(f) Retirement benefits**

The company provides retirement benefits plan to its employees through a defined contribution plan. The benefits are paid on monthly basis to LAPTRUST whereby the company contributes 10% and the employee contributes 5% on the basic salary.

**(g) Provision for staff leave entitlement**

A provision is made to recognise staff entitlement in respect of annual leave not taken as at the end of the financial year. The monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognized as an expense accrual.

**(h) Foreign Currency**

Transactions during the year in foreign currency are converted into Kenya shillings at rates ruling at the transaction date. Assets and liabilities denominated in foreign currency are translated into Kenya Shillings at the rates of exchange ruling at the balance sheet date.

**(i) Trade and other receivables**

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

**(j) Trade and other payables**

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

**(k) Trade and other payables**

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

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**(l) Amortisation of Capital Grant**

Grants received for capital assets are credited to the capital grant account net of amortisation which is released to the income statement over the life of the relevant assets.

**(m) Cash and cash equivalents**

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

**(n) Budget information**

The original budget for FY 2020-2021 was approved by the BOD. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity'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.

**(o) Subsequent events**

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

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**(p) Comparative figures**

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

**(q) Nature and purpose of reserves**

The company creates and maintains reserves of Ksh. 10,791,181 which are normally disclosed in the Statement of Financial position as part of the Equity.

**(r) Provisions**

Provisions are recognized when the company has a legal or constructive obligation 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.

Where the company expects provisions to be reimbursed, for example under insurance the reimbursement is recognized as a separate asset but only when the reimbursement is virtually uncertain. The company made a general provision for bad debts at a rate of 10%.

**(s) Impairment**

At each balance sheet date, the company reviews the carrying amounts of its financial assets to determine whether there is any indication that these assets have suffered an impairment loss.

Impairment loss occurs where the asset is carried at more than its recoverable amount. An asset is carried at more its recoverable amount if its carrying amount exceeds that amount to be recovered through use or sale of the asset.

If such an indication exists, the recoverable amount is estimated. An impairment loss is recognized as an expense unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

**5. Significant Judgements and Sources of Estimation Uncertainties.**

**a) Critical accounting estimates and judgements**

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

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i) Critical accounting estimates and assumptions:

Property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates used are set out in note 1(e) above.

ii) Critical judgements in applying the entity's accounting principles

In the process of applying the company's accounting policies, management has made judgements in determining:

- The classification of financial assets and leases.
- Whether the assets are impaired.

**(b) Risk exposure**

(i) The company continues to be negatively affected by increase in inflation and commodity prices while the income remains relatively static due to the Rigid Tariff approval process.

The Board is actively following up on a Regular Tariff Review which will ensure a cost recovery Tariff is in Place. This will mitigate against rising commodity prices as well as power costs.

**6. Financial risk management objectives**

The organisation's overall risk management programme focuses on unpredictability of changes in the operating environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The major types of financial risks faced by the organisation are:

- Market risk
- Credit risk
- Liquidity risk

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**(a) Market risk management**

**(i) Currency risk**

The organisation is not exposed to currency risk since it does not trade with foreign countries.

**(ii) Interest rate risk**

The company is exposed to interest rate risk as it has borrowed. As at 30th June 2021, an increase/decrease of 5 % on average borrowing rates would have resulted in an increase/decrease in the surplus of Kshs 385,986, (FY 2019/2020: Kshs 393,369).

<b>F/Year</b>	<b>2020/2021</b>	<b>2019/2020</b>
Interest	7,719,720	7,867,373
Increase of 5%	385,986	393,369

**(iii) Price risk**

The Company does not hold investments that would be subject to price risk hence there is no exposure to price risk.

**(b) Credit risk management**

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the organisation. The organisation measures, monitors and manages credit risk for each receivable. The organisation's credit risk is primarily attributable to bank balances, trade and other receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the organisation's management based on prior experience and their assessment of the current economic environment.

The credit risk on trade receivables is limited because the nature of the organisation's business is such that the services provided are not chargeable. The bulk of income to the organisation relates to grants from various donors. The credit risk on grants receivable is limited because funds are sourced from credible donors.

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As at 30<sup>th</sup> June 2021

	Total Amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
Receivables	98,257,969	91,430,805	-	6,827,165
Cash in hand	=====	-	-	-
	=====	=====	=====	=====

As at 30th June 2020

Receivables	105,717,303	97,987,212	-	7,730,091
Cash in hand	24,600	-	-	-
	=====	=====	=====	=====

**(c) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Board of Directors through the senior management of the company. Management has built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows.

	<b>Total Amount Kshs</b>	<b>Less than 1 month Kshs</b>	<b>Between 1-3 months Kshs</b>	<b>Over 3 months Kshs</b>
As at 30th June 2021				
Accounts payables	135,020,811	691,122	3,864,702	130,464,987
	=====	=====	=====	=====
As at 30th June 2020				
Accounts payables	131,080,348	221,109	2,061,852	128,797,387
	=====	=====	=====	=====

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**7. Related Party Disclosure**

**(a) Government of Kenya**

MUSWASCO is one of the County WSPS under Murang'a County Government and contracted by ATHI Water Services Board (AWSB) under the Water Act 2016. The company is regulated by Water Services Regulatory Board (WASREB)

**(b) Key Management**

There are no benefits given to management on terms more favourable than available in the market.

**(c) Directors**

Fees paid to the directors in the year amounted to Kshs. 1,635,100 compared to previous financial year which amounted to Kshs. 1,501,577 as shown in the Financial Statements note 10(b). There was no related party transaction involving the directors.

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	2020/ 2021 Kshs	2019/ 2020 Kshs
<b>8 Revenue</b>		
<b>(a) Operating income</b>		
Water Sales	179,288,180	133,981,553
Connection fee	4,656,855	3,902,332
Reconnection fee	1,956,194	1,279,519
	<b>185,901,229</b>	<b>139,163,404</b>
<b>9 Other income</b>		
Misc Income- Contra Compensation for damages(KERRA) & other incomes	-	1,260,930
Compensation from KENHA	3,212,138	-
Other Misc Income	10	-
Interest income	127,863	42,569
Water lines extension grants from Athi Water services board -pipes and fittings	-	11,849,695
Covid -19 mitigation grants from Athi Water services board and Murang'a County-Water Tanks	-	765,500
Covid -19 mitigation grants from Murang'a County-Water treatment chemicals	-	269,320
CLSG Revenue Grant	37,013,656	-
DTF subsidy -revenue grant	600,658	-
Revenue Grants 17 (a)	5,128,994	4,185,512
<b>Total Other Incomes</b>	<b>46,083,319</b>	<b>18,373,526</b>

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<b>10. SCHEDULE OF OPERATING EXPENDITURE</b>	<b>2020 / 2021</b>	<b>2019 / 2020</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>10 a. PERSONNEL COST</b>		
a) Regular Salaries	79,989,542	73,913,502
b) Casual wages	4,969,794	1,301,664
c) G.O.K Salary grant	1,299,000	1,299,000
<b>Total Personnel Costs</b>	<b>86,258,336</b>	<b>76,514,166</b>
<b>10 b. ADMINISTRATIVE EXPENSES</b>		
<b>Directors Costs</b>		
Directors Allowances	498,000	732,000
Meeting and Conferences	1,137,100	769,577
	<b>1,635,100</b>	<b>1,501,577</b>
<b>Administrative Costs</b>		
Staff training	811,138	497,614
Travelling & Subsistence	4,765,082	2,687,465
Staff Welfare & Staff Uniforms	4,222,707	2,395,041
Telephone & E-mails	3,759,666	2,855,741
Computer repairs & Accessories	2,172,581	1,895,330
Advertising & Publicity	2,073,691	791,583
Electricity (Production)	597,123	588,927
Electricity (Lighting)	106,052	161,361
Security services	1,936,740	1,593,103
(Decrease)/Increase in Provision for Bad debts	(902,926)	231,285
Postage	17,739	19,006
General office supplies-Office Tea	768,908	459,610
Billing Software Maintenance	354,000	300,000
Payroll maintenance- ISOFT	179,240	86,000
Pastel Maintenance	371,151	60,000
Generator Maintenance	23,600	21,200
Website Development & Hosting	98,600	85,500
Covid -19 Mitigation expenses	1,250,950	386,170
Covid-19 mitigation expenses from Muranga County-Hand sanitizers,Liquid soap and face masks	-	14,000
Covid-19 mitigation expenses from Athi Water Services Board-Hand sanitizers,Liquid soap	-	765,500
DTF administration expenses	590,816	-
CLSG grant Covid mitigation	464,803	-
<b>Total other administrative expenses</b>	<b>23,661,660</b>	<b>15,894,437</b>
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>25,296,760</b>	<b>17,396,014</b>

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**SCHEDULE OF OPERATING EXPENDITURE (CONTINUED)**

<b>0 c. OPERATING EXPENSES</b>	<b>2020 /2021</b>	<b>2019 /2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Regulatory Levy	7,392,043	5,918,375
Water Resources Levy	1,488,971	1,242,058
Printing & Stationeries	4,438,635	2,925,586
Motor Vehicle/Cycle running expenses	9,666,952	2,885,089
Fuels and Oils	10,208,749	8,686,901
Insurance(Staff covers & Motor Vehicles/Cycles)	1,431,722	1,046,160
Corporate Social Responsibility	36,305	85,550
Provision for Depreciation	6,621,140	4,884,121
Subscription (Waspa)	360,250	134,400
Billing & Printing Services	3,058,717	1,399,578
Repairs & Maintenance of Water pumps	90,000	28,500
Repairs & Maint. of Water Pipe Lines(NRW) &		
Installation of meters	2,815,987	2,352,864
Repairs & Maintenance-Office	491,458	384,990
Chamber Construction & Airvalves & Installation		
of solar panels	1,767,572	655,887
Bank Charges	434,256	1,427,984
Licences & permits	92,000	149,793
Water quality	771,950	360,275
Bulk Water Purchase-Gatanga Community	402,420	525,035
Meter accessories and water fittings	(1,316,915)	2,992,839
Compensation of KERRA activities	2,262,152	402,283
Compensation of KENHA activities	2,931,200	-
Civil Works	832,772	1,108,300
Office electrification	55,614	-
Office rehabilitation	1,201,003	-
	<b>57,534,954</b>	<b>39,596,568</b>
<b>10 d. LEGAL AND PROFESSIONAL FEES</b>		
Legal Fees	300,000	1,038,418
Consultancy Services	374,740	-
Provision for Audit fees	348,000	591,394
Occupational safety and health	208,800	-
	<b>1,231,540</b>	<b>1,629,812</b>
<b>10 e. FINANCE COSTS</b>		
Loan Interest	7,719,720	7,867,373
Loan Charges	118,742	727,045
Interest Charge Paid	8,500	158,463
	<b>7,846,962</b>	<b>8,752,881</b>
<b>10 f. DIRECT COSTS</b>		
Chemicals and Treatment	87,043	226,067
Water maintenance Costs	20,839,723	8,475,059
Water Lines rehabilitation	4,240,135	3,308,141
Water lines extension expenses from Athi Water		
services board -pipes and fittings	-	11,849,695
Covid -19 mitigation expenses from Murang'a		
County-Water treatment chemicals	-	255,320
CLSG grant Interventions	25,115,366	-
	<b>50,282,267</b>	<b>24,114,282</b>
<b>10 g. INVENTORY</b>		
UPVC,GI pipes & Water fittings	1,782,648	1,571,075
Stationeries	-	192,287
	<b>1,782,648</b>	<b>1,763,362</b>

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**NOTES (CONTINUED)**

**11 Cash and cash equivalents**

**2020 / 2021**  
**Kshs**

**2019 / 2020**  
**Kshs**

For the purpose of the cash flow statement, cash and cash equivalents comprise the following:

Cash and current account balances

Cash at bank and in hand

Cash in hand

**11.a**

-

24,600

Cash at bank

**11.b**

-

-

-

**24,600**

**Analysis of cash at bank**

**Bank Name**

**Account number**

**2020 / 2021**

**2019 / 2020**

Equity Bank-Collection Account

0890269245257

60,597

90,870

K.C.B bank

1114420859

98,720

85,886

Unaitas Bank

002020037

77,575

8,494

Amica Sacco

006101000019618

327,006

74,338

Amica Sacco-Loan account

006109000000020

118,843

-

Sidian Bank -1675

01012020001675

96,620

238,636

Equity Bank

0090292737794

529,787

1,243,184

Sidian Bank -3831

01012020003831

2,264,654

1,619,333

Sidian Bank

01012020005208

4,169,029

3,958

M-PESA Facility

346350

182,255

500,051

M-PESA Facility

600654

9,875

-

M-PESA Holding

600654

100,478

-

Equity Bank CLSG Project

0090280437391

338

-

**11b (1)**

**8,035,776**

**3,864,750**

**Total**

**11b(2)**

**8,035,776**

**3,889,350**

**12 Trade and other payables**

Trade payables

59,364,030

52,101,574

Accruals

22,862,371

31,123,416

Other payables (Customer Deposit)

52,794,410

47,855,358

**135,020,811**

**131,080,348**

**13 Trade Receivables**

Water sales debtors

68,271,648

77,300,910

Less:10% General provision for bad debts

(6,827,165)

(7,730,091)

**61,444,483**

**69,570,819**

**Other Receivables**

TWSB-customer deposit

775,751

775,751

WASREB-SPA deposit

1,900,000

100,000

Gatanga community water scheme deposit

100,000

100,000

Amica Sacco Shares

203,000

203,000

Investment Deposit Amica Sacco

2,000,000

2,000,000

Advance salaries and other pre-payments

2,290,499

2,520,571

VAT control account

22,717,071

22,717,071

**29,986,321**

**28,416,393**

**Trade and Other Receivables**

**91,430,805**

**97,987,212**

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**NOTES (CONTINUED)**

**2020/2021**

**14 PROPERTY, PLANT AND EQUIPMENT**

	<b>MOTOR VEHICLE &amp; MOTOR CYCLES</b>	<b>FURNITURE &amp; EQUIPME N</b>	<b>EQUIPMENT S /WATER KIOSKS/WA</b>	<b>WATER METERS</b>	<b>COMPUTERS</b>	<b>INFRASTRUCT URE</b>	<b>WORK-IN- PROGRESS</b>	<b>TOTAL</b>
<b>COST</b>	<b>KSHS</b>	<b>KSHS</b>	<b>KSHS</b>	<b>KSHS</b>	<b>KSHS</b>	<b>KSHS</b>	<b>KSHS</b>	<b>KSHS</b>
As at 1st July 2020	6,006,821	750,767	8,518,673	34,971,456	7,677,922	77,362,644	67,788,861	203,077,144
Additions	797,400	889,184	167,000	-	5,805,174	-	32,360,543	40,019,301
As at 30th June 2021	<b>6,804,220</b>	<b>1,639,951</b>	<b>8,685,673</b>	<b>34,971,456</b>	<b>13,483,096</b>	<b>77,362,644</b>	<b>100,149,404</b>	<b>243,096,445</b>
<b>DEPRECIATION</b>								
As at 1st July 2020	4,738,758	488,385	5,680,095	23,473,451	5,119,525	11,810,273	-	51,310,486
Charge for the year	516,366	143,946	375,697	1,437,251	2,509,071	1,638,809	-	6,621,140
As at 30th June 2021	<b>5,255,124</b>	<b>632,330</b>	<b>6,055,792</b>	<b>24,910,702</b>	<b>7,628,596</b>	<b>13,449,082</b>	<b>-</b>	<b>57,931,626</b>
<b>NBV</b>								
As at 30th June 2021	<b>1,549,097</b>	<b>1,007,621</b>	<b>2,629,881</b>	<b>10,060,754</b>	<b>5,854,500</b>	<b>63,913,562</b>	<b>100,149,404</b>	<b>185,164,819</b>
As at 30th June 2020	<b>1,268,063</b>	<b>262,382</b>	<b>2,838,578</b>	<b>11,498,005</b>	<b>2,558,397</b>	<b>65,552,371</b>	<b>67,788,861</b>	<b>151,766,657</b>
<b>COST</b>								
As at 1st July 2019	5,797,136	750,767	8,518,673	34,971,456	7,491,573	77,362,644	39,048,090	173,940,339
Additions	209,685	-	-	-	186,349	-	28,740,771	29,136,805
As at 30th June 2020	<b>6,006,821</b>	<b>750,767</b>	<b>8,518,673</b>	<b>34,971,456</b>	<b>7,677,922</b>	<b>77,362,644</b>	<b>67,788,861</b>	<b>203,077,144</b>
<b>DEPRECIATION</b>								
As at 1st July 2019	4,414,242	452,856	5,295,720	21,916,495	4,201,520	10,145,535	-	46,426,367
Charge for the year	324,516	35,529	384,375	1,556,956	918,004	1,664,738	-	4,884,119
As at 30th June 2020	<b>4,738,758</b>	<b>488,385</b>	<b>5,680,095</b>	<b>23,473,451</b>	<b>5,119,525</b>	<b>11,810,273</b>	<b>-</b>	<b>51,310,486</b>
<b>NBV</b>								
As at 30th June 2020	<b>1,268,063</b>	<b>262,382</b>	<b>2,838,578</b>	<b>11,498,005</b>	<b>2,558,397</b>	<b>65,552,371</b>	<b>67,788,861</b>	<b>151,766,657</b>
As at 30th June 2019	<b>1,382,894</b>	<b>297,911</b>	<b>3,222,953</b>	<b>13,054,961</b>	<b>3,290,053</b>	<b>67,217,109</b>	<b>39,048,090</b>	<b>127,513,972</b>

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**NOTES (CONTINUED)**

**15 .Tax expense/income**

	<b>2020 /2021</b>	<b>2019 /2020</b>
	Kshs	Kshs
Current income tax	1,060,119	(3,140,038)
Deferred income tax	-	-
Income tax expense/(credit)	<u>1,060,119</u>	<u>(3,140,038)</u>

The tax on the company's profit/(loss) before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

Profit/(loss) before income tax	<u>3,533,730</u>	<u>(10,466,793)</u>
Tax calculated at the statutory tax rate of 30%	1,060,119	(3,140,038)

**16. Borrowings**

**Included in the financial statements**

	Kshs	Kshs
Not later than an year	<u>15,548,912</u>	14,900,469
Later than 1 year and no later than 5 years	<u>10,315,129</u>	<u>32,540,074</u>
	<b><u>25,864,041</u></b>	<b><u>47,440,543</u></b>

**Loan Movement**

As at beginning of the year	47,440,543	42,917,013
Borrowings in the year	15,843,881	38,740,771
Repayments during the year	<u>(37,420,383)</u>	<u>(34,217,241)</u>
	<b><u>25,864,041</u></b>	<b><u>47,440,543</u></b>

The lender of this borrowing is Sidian Bank Ltd, at an interest rate of 13% per annum on a reducing balance, four years and four months(52 Months),Security is debentures.

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**17. NOTE FOR GRANT SCHEDULE**

**17 a. TOTAL REVENUE GRANTS FY 2020/2021**

	<b>2020 /2021</b>	<b>2019 /2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Salaries GOK	1,299,000	1,299,000
Amortisation	3,459,343	2,886,512
<b>TOTAL</b>	<b>4,758,343</b>	<b>4,185,512</b>

**17 b. TOTAL CAPITAL GRANTS AS AT 30TH JUNE 2021**

Balance as at 1st July 2020	77,269,310	53,268,730
Additions during the year	48,958,598	26,887,092
Transfer to statement of comprehensive income	(3,459,343)	(2,886,512)
<b>Balance as at 30th June 2021</b>	<b>122,768,565</b>	<b>77,269,310</b>

The capital grants include Pipeline infrastructure, water kiosks, storage tanks, laboratory equipment & water meters that have been cumulatively granted by TWSB, NWCPC & WSTF (Tana Water Services Board, National Water Conservation And Pipeline Corporation & Water Services Trust Fund) from FY 2011-2012 to FY 2019-2020 and amortised annually at normal rates as below,

	<b>Rate - %</b>
Furniture, Fittings & Equipments	12.50%
Water Kiosks and Equipments	12.50%
Water Meters	12.50%
Infrastructure Pipeline	2.50%

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**APPENDIX 1. PROJECTS IMPLEMENTED BY THE ENTITY.**

Projects implemented by the Company included the following

Project title	Project Number	Donor	Percentage of completion	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1. Maragua Bulk water supply project	001	National Government	55%	Excellent	NO	NO
2. Makutano water & sewerage project	002	AWWDA	10%	Excellent	NO	NO
3. Kitui & Matuu towns last mile connectivity	003	TAWWDA & AWWDA	31%	Excellent	NO	NO
4. Murang'a South last mile connectivity	004	TWWDA	80%	Excellent	NO	NO

**Status of Projects completion**

The reason they are not yet consolidated in the financial statements is because they are still ongoing and recognition is normally done upon completion and handing over of the project done by relevant donors.

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**APPENDIX 2: INTER ENTITY TRANSFERS**

The transfers from Murang'a County Government are salaries paid directly to our seconded staff members

<b>ENTITY NAME</b>	<b>MURANG'A SOUTH WATER &amp; SANITATION COMPANY LTD</b>		
<b>Transfer from Murang'a County Government</b>			
Type of Grant	Description of Grant	Amount(Ksh)	FY
1) Revenue Grant	Salaries to seconded staffs	Ksh. 1,299,000	Fy 2020/2021

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**APPENDIX 3: PROGRESS ON FOLLOW UP OF AUDITORS  
RECOMMENDATIONS**

<u>NO.</u>	<u>Issue/Observations from auditor</u>	<u>Management comments</u>	<u>Focal point person</u>	<u>Status</u>	<u>Time frame</u>
1.	Unexplained and unreconciled difference between the financial statements and ledger.	The management has ensured all the figures in the financial statement tallies with the respective ledgers.	Finance Officer	Corrected	Done
2.	Undisclosed ADB loan	The project was fully implemented by TWWA and upon completion of the project there were no proper supporting documentation of handing over issued to MUSWASCO to enable us recognize the asset and the loan in our books of account.	CMT	Under management discussion and analysis, the statement on this Africa Development Bank loan has been removed.	Done
3.	Non-Revenue Water	Continuously being reduced, reduced from 52% in previous to 47% current year.	TM	47%	Continuous
4.	Non-compliance with law on ethical composition	Continuously being addressed through recruitment process by prioritizing and offering employment opportunities to those from other communities. Reduced from 95.23% June 2020 to 91.7% June 2021.	BOD & CMT	91.7%	Continuous
5.	Non-compliance with law on fiscal responsibility-wage bill.	Applied for tariff that will aid this compliance. Has reduced from 53.18 June 2020 to 48.6% June 2021.	BOD & CMT	48.6%	Continuous

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**APPENDIX 4: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/others	Total amount-ksh.	Where recorded/recognized					Total transfers during the year
				Statement of Financial Performance	Capital fund	Deferred Income	Receivables	Others -must be specific	
Water Sector Trust Fund	18/03/2021	Recurrent	37,013,656	37,013,656	11,106,639				48,120,295
KENHA	19/10/2020	Recurrent	2,795,268	2,795,268					2,795,268
KENHA	31/05/2021	Recurrent	416,870	416,870					416,870

