

REPUBLIC OF KENYA



*Enhancing Accountability*

PAPERS LAID	
DATE	26/4/2023
TABLED BY	Sen. Majority Whip
COMMITTEE	←
CLERK AT THE TABLE	D. CHANIA

## REPORT

PARLIAMENT  
OF KENYA  
LIBRARY

OF

THE AUDITOR-GENERAL

ON

RUKANGA WATER AND SANITATION  
COMPANY LIMITED

FOR THE YEAR ENDED  
30 JUNE, 2022





---

**Rukanga Water & Sanitation Company Ltd.**

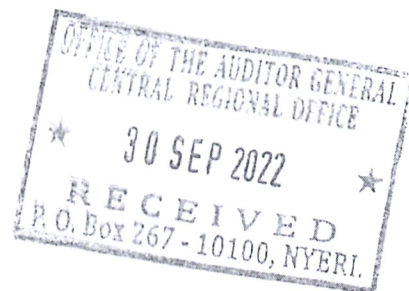
**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2022**

---

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



# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

---

Table of Contents	Page
I. Key entity information .....	i
I. List of board of directors.....	iv
II. Management team.....	vi
III. Chairman's report.....	vii
IV. General manager's report.....	viii
V. Corporate governance statement.....	ix
VI. Management discussion and analysis.....	ix
VII. Board of directors' report for the year ended 30 June 2022.....	x
VIII. Statement of directors' responsibilities.....	xi
IX. Independent auditors report.....	xiii
X. Statement of Profit & Loss & Other Comprehensive Income For The Year Ended 30 June 2022.....	1
XI. Statement of financial position as at 30 June 2022.....	2
XII. Statement of changes in equity for the year ended 30 June 2022.....	3
XIII. Statement of cashflows for the year ended June 2022.....	4
XIV. Statement of comparison of budget and actual amounts for the period ended 30 June 2022.....	5
XV. Notes to the financial statements for the year ended 30 June 2022.....	8
XVI. Notes to the financial statements for the year ended 30 June 2022.....	9
XVII. Appendices.....	16

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

---

## I. Key entity information

### Background information

Rukanga Water and Sanitation Company Limited started as a community water project in 1989.

The small-scale water service provider was financed by IFAD through Kenya Government and the Rukanga community. The area coverage is 75 Km<sup>2</sup> and currently serves a population of approximately 15,000 people.

The enactment of Water Act 2002, led to the creation of Water Services Regulatory Board (WASREB), Water Works Development Agencies and Water Services Providers to spearhead the water sector reform programme. Ruwasco is a Water Service Provider Limited by guarantee and incorporated under the Companies Act Cap 486 of the laws of Kenya on 16<sup>th</sup> May 2008 and operates under the supervision of Water Services Regulatory Board (WASREB).

RUWASCO has been mandated by Water Services Regulatory Board (WASREB) to carry out water and sanitation services in both urban and rural areas of Kirinyaga County, Mwea west Sub-County, The Company takes charge of public resources in order to provide quality, affordable, reliable, sustainable and portable water in the target community. RUWASCO is owned by the County Government of Kirinyaga.

### Principal activity

The principal activity of the Company is to ensure efficient and sustainable provision of quality and affordable water and sanitation services in Rukanga sub-Location and its environs. The Company's Vision being, To Excel in Water Services Provision and its Mission is to provide affordable, reliable safe drinking water and improved sanitation services while applying environmentally friendly technologies. To achieve our mission and vision, the following core values are our guiding principles

- Customer focus
- Accountability
- Transparency
- Integrity
- Commitment
- Teamwork

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

---

## Directors

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

1. Antony Mathenge Muchiri - Chairman - Appointed on 11<sup>th</sup> December 2019.
2. Hon. Dr Jackan Gutu - CECM Water-Kirinyaga County
3. Jared Migwi - Member - Appointed on 6<sup>th</sup> July 2020.
4. Phyllis Nyaguthii - Member - Appointed on 26<sup>th</sup> November 2020.
5. Moses Mwangi Kinyua - Member - Appointed on 11<sup>th</sup> December 2019.
6. Benvon Mbirua - Member - Appointed on 26<sup>th</sup> November 2020.
7. Lucy Kibera - Member - Appointed on 11<sup>th</sup> December 2019.
8. Robert N Munyua - Member - Appointed on 6<sup>th</sup> July 2020.
9. David Njoroge - Secretary - Appointed on 11<sup>th</sup> April 2022.

## Auditors

The Auditor General is responsible for the statutory audit of the entity in accordance with the Section of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf. The Auditor General carried out the audit for RUWASCO for the financial year that ended 30<sup>th</sup> June 2022.

## Strategic objectives

1. Improve access to sustainable and safe water
2. Reduce Non-Revenue Water (NRW)
3. Ensure adequate ICT capacity
4. Achieve financial sustainability
5. Achieve institutional capacity
6. Increase stakeholder's awareness on water sector reforms
7. Customer service focus

## Registered office/headquarters

Rukanga Water and Sanitation Company Limited  
Riandira Shopping Centre, Makutano - Sagana highway  
P.O. Box 311-10230,

## Sagana

Tel: 0702609597

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

---

## **Bankers**

Co-operative Bank of Kenya

Kerugoya Branch

P.O. Box 635-10300,

### **Kerugoya**

Equity Bank

Kagio Branch

P.O. Box 134-10306,

### **Kagio**

## **Auditors**

Auditor General

Kenya National Audit Office

Anniversary Towers

P.O. Box 30084-00100,

### **Nairobi**

## **Company secretary**

Update registrar







P.O. Box 10727-00100,

### **Nairobi**

# RUKANGA WATER AND SANITATION COMPANY LIMITED





Annual Reports and Financial Statements for the year ended June 30, 2022

## I. List of board of directors.

Ref	Directors	Details
1.	 <b>Mr. Anthony Mathenge Muchiri</b>	Y.O.B 1978, CPA – K, B.O.D Chairman. Non-Executive member.
2.	 <b>Hon. Dr Jackan Gutu</b>	Y.O.B 1956, Doctorate in Business Administration Many years' experience in management. CECM member Ministry of water Kirinyaga County. Board Member
3.	 <b>Mr. Jared Migwi</b>	Y.O.B 1973, Bachelor of Commerce Associate Kenya Institute of Bankers Experience in banking and finance; Chief Officer, Ministry of Water. Board Member. Member Audit and Finance Committee.
4.	 <b>Mrs. Phyllis Nyaguthii</b>	Y.O.B 1978, KCSE C Minus, Board Member. Member Audit and Finance Committee. Non-Executive member of the board.
5.	 <b>Mr. Moses Mwangi Kinyua</b>	Y.O.B 1989, Certificate in Human Resource Management. Board Member. Member Technical Committee. Non-Executive member of the board.
6.	 <b>Mr. Benvon Mbirua</b>	Y.O.B 1965, KCE Division 3, Computer Packages, Electrical Youth. Board Member. Chairperson Audit and Finance Committee. Non-Executive member of the board.

# RUKANGA WATER AND SANITATION COMPANY LIMITED




Annual Reports and Financial Statements for the year ended June 30, 2022

7.	 <b>Mrs. Lucy Kibera</b>	Y.O.B 1972, Certificate in Business Management. Board Member. Chairperson Technical Committee. Non-Executive member of the board.
8.	 <b>Mr. Robert N Munyua</b>	Y.O.B 1973, MBA (Finance) & Master of science. Non-Executive member of the board.
9.	 <b>FCS Richard K. Gikuhi</b>	Company Secretary, Master's degree in Business Administration, member of Institute of Certified Secretaries of Kenya, an accredited Governance Auditor, member of the Kenya Institute of Management. Certified Secretary with a wide range of experience in Corporate Governance and Management of over forty years.
10.	 <b>CPA David Njoroge</b>	General Manager, Bachelor of Commerce (BCOM), CPA – K, CFE.CA

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

## II. Management team.

Ref	Management	Details
1.	 <b>CPA David Njoroge</b>	General Manager, Bachelor of Commerce (BCOM), CPA – K, CFE.CA
2.	 <b>FCS Richard K. Gikuhi</b>	Company Secretary, Master's degree in Business Administration, member of Institute of Certified Secretaries of Kenya, an accredited Governance Auditor, member of the Kenya Institute of Management.
3.	 <b>Kennedy M. Ng'endo</b>	Y.O.B 1989, Accountant (RUWASCO), CPA II SECTION IV.

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

## III. Chairman's report


Rukanga Water and Sanitation Company Limited is responsible for the provision of potable, affordable and sustainable water and sanitation services in its area of operation. In this financial year, the company registered significant improvement on key performance indicators namely; Non-Revenue Water (NRW) management, revenue collections, water quality, water coverage and most importantly in ensuring good Company governance in executing our core mandate. This can mainly be attributed to the reorganization by the board and current management and harmonization of company's operations by giving more emphasis on staff productivity, efficient water supply through proper rationing program and enhanced NRW management.

The company has also continued embracing new technology especially in improving efficiency on operations and as a cost cutting measure. Priority has been in automation of operations in service delivery thus ensuring efficiency and optimal staff productivity. Customer bills are also sent through text messages (SMS) while cash handling has been eliminated by requiring customers to pay their bills through Mpesa.

However, realization of the company's strategic objectives is still being undermined by various constraints and challenges key among them high NRW levels, low water supply coverage, dilapidated water supply network especially in the Rural Scheme, inadequate water treatment capacity and lack of finances to implement planned activities and programs.

The importance of water and sanitation in assisting Kenya to move from a developing stage to a middle-income stage is well covered in the Government of Kenya's vision 2030 where access to water and sanitation facilities and the quality of water resources have been identified as key indicators for development. This is further reinforced by the fact that the SDG on sanitation is one of the least progressing of all Goals.

We remain steadfast in delivering on our strategy and exceeding our customers' expectations. All this cannot be realized without your close collaboration and support from the County, staff and development partners. To all of you I say a big thank you.

Signed: 

Date: 27/09/22

RUKANGA WATER & SANITATION  
CO. LTD.  
P. O. Box 311 - 10230,  
NAIROBI-KENYA  
TEL: .....

**Board Chairman.**

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

## IV. General manager's report.


Rukanga Water and Sanitation Company (RUWASCO) is responsible for efficient and economical provision of water and sanitation services within Mwea sub county and its environs. The Water Supply system is by a weir 1.5m high and a gravity PVC pipeline consisting of: -

- I. 13km, 225mm mainline
- II. 1km 160mm mainline
- III. 9km 100mm mainline
- IV. 60km distribution lines ranging between 63mm - 30mm sizes

The area covered is 75 Km<sup>2</sup> with a population of 15,000. During the year under review 2021/2022 the operations were as follows:

S/No	2020/2021	2021/2022	Remarks
Water Production average	21,000 M <sup>3</sup> /Month	21,000 M <sup>3</sup> /Month	
Total water Connections	2,120	2,172	
Applied Water Tariff on year 2015 0 -10 M <sup>3</sup>	Ksh 200/= Ksh 250/=	Ksh 200/= Ksh 250/=	
Approved Tariff 0 - 6 M <sup>3</sup>	Household Ksh 300/= Commercial Ksh 330/=	New tariff	Not yet applied
Income Earned	Ksh 8,986,269	Ksh 8,728,728	
Non-Revenue Water	Av. 18%	Av. 22%	
Population Served	12,000	15,000	

During the year under review, the company has faced challenges occasioned by the ongoing construction of Kenol – Sagana - Marua Road and rehabilitation of Ng'othi road by KURA have drastically damaged our pipelines hence affecting water supply to our customers . This has seen drastic reduction in revenue and billing from our consumers. The tariff currently being used by Ruwasco needs to be reviewed upwardly for the company to make any meaningful infrastructure improvement as well as be able to engage qualified professionals in core management.

Signed:    
 RUKANGA WATER & SANITATION CO. LTD.   
 P. O. Box 311 - 10230, SAGANA ROAD   
 Date: 27/09/22   
 TEL: .....

**General Manager.**

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

## **V. Corporate governance statement.**

RUWASCO is committed to operating under a clear governance framework and strongly adheres to sound management and control practices.

RUWASCO is committed to ensuring compliance with the provisions of Water Act 2016 among other regulatory and supervisory corporate governance requirements. Essential to the establishment of a good governance framework are formal governance structures designed to ensure accurate reporting to the Board to facilitate an informed decision-making process, assessment and improvement of conformances.

### **Board of directors**

The structure of RUWASCO starts with the Board members representing various stakeholders' interests. The Board members exercise leadership, enterprise, integrity and judgment in directing RUWASCO.

They are expected to determine the purpose and values of RUWASCO, determine the strategy to achieve that purpose and implement its values in order to ensure the Company survives and thrives.

The Board members are expected to enhance the corporate governance practices in running of RUWASCO to bring the level of governance in the Company in line with international standards. The essence of corporate governance is to protect stakeholder's interest including the county government, Water service regulatory board, consumers and the communities.

### **Corporate social responsibility statement**

Rukanga water and Sanitation is keen on ensuring water & sanitation services are pro-poor oriented in all of our service areas. In order to achieve this social responsibility, we have set a nonprofit making water kiosk that enables us supply water to Makutano and Kaminji residents who have no tap water at their homesteads.

## **VI. Management discussion and analysis**

Rukanga Water and Sanitation Company Limited (RUWASCO) is a water and sanitation services provider registered under the company's Act 2015 of the law of Kenya. The company is an agent of the County Government of Kirinyaga (CGK). This is in line with the requirement by the Constitution of Kenya (GoK) 2010 and the Water Act 2016.

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

## VII. Board of directors' report for the year ended 30 June 2022

The Board of Directors presents their report and audited accounts for the year ended 30 June 2022 which discloses the state of affairs of RUWASCO. The financial statements cover a period of 12 months.

### i. Principal activity

The principal activity of RUWASCO is to ensure efficient and sustainable provision of quality and affordable water and sanitation services in Rukanga sub-Location and its environs

### ii. Results

The entity's results for the year ended 30th June 2022 are set out on page 1.

### iii. Directors

The Board of Directors who served during the year are shown on page iv and v.

### iv. Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the Company for the year/period ended June 30, 2022, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Name... *David Mgoroge*

Signature... *[Handwritten Signature]*

Date... *27/09/22*

Corporate Secretary/Secretary to the Board

RUKANGA WATER & SANITATION  
CO. LTD.  
P. O. Box 311 - 10230,  
SAGANA-KENYA

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

## **VIII. Statement of directors' responsibilities**

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

The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity.
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud.
- (iv) Safeguarding the assets of the entity.
- (v) Selecting and applying appropriate accounting policies.
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act). The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2022, and of the entity's financial position as at that date.

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

## Approval of the financial statements

The entity's financial statements were approved by the Board of Directors on \_\_\_\_\_

2022 and signed on its behalf by:

RUKANGA WATER & SANITATION  
CO. LTD.  
P. O. Box 311 - 10230,  
SAGANA-KENYA

TEL: .....

Signature .....

Name Anthony Mathenge

Chairperson of the Board

RUKANGA WATER & SANITATION  
CO. LTD.  
P. O. Box 311 - 10230,  
SAGANA-KENYA

TEL: .....

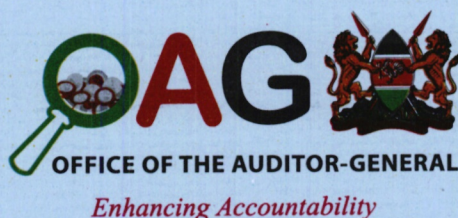
Signature .....

Name David Njoroge

General Manager

# 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 RUKANGA WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022**

---

### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Rukanga Water and Sanitation Company Limited set out on pages 1 to 16, which comprise of the statement of financial position as at 30 June, 2022, and the statement of profit or loss and other comprehensive

income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and 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 Rukanga Water and Sanitation Company Limited as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Anomalies in the Presentation of the Annual Report and Financial Statements**

Review of the annual report and financial statements for the year ended 30 June, 2022 revealed the following anomalies:

- i. The statement of performance against predetermined objectives and statement of environmental and sustainability reporting were omitted contrary to the requirements of the approved template by the Public Sector Accounting Standards Board (PSASB).
- ii. The annual report and financial statements reflect report of General Manager instead of report of the Managing Director and there is no blank page immediately after page (i) as prescribed by the template.
- iii. Appendix 1 to the financial statements on progress on follow up of auditor recommendations did not reflect any details on prior year audit issues.
- iv. The percentage utilization column has been omitted in the statement of comparison of budget and actual amounts for the period ended 30 June, 2022.

In the circumstances, the financial statements for the year under review are not in the format prescribed by the Public Sector Accounting Standard Board (PSASB).

#### **2. Unsupported Property, Plant and Equipment**

The statement of financial position reflects a balance of Kshs.26,819,405 in respect of property, plant and equipment as disclosed in Note 1 to the financial statements. However, ownership documents and valuation reports of three parcels of land valued at Kshs.1,938,269 were not provided for audit.

In the circumstances, the validity, accuracy, ownership and completeness of the property, plant and equipment balance of Kshs.26,819,405 could not be confirmed.

### **3. Failure to Account for Water Inventory**

Review of the financial statements revealed that the Management did not account for water inventory as at 30 June, 2022. Further, there were no records provided for audit to indicate the produced and unsold water volumes, the value as at the end of the financial year and policy guidelines for the accounting of water inventory by the Company. In addition, the Company did not determine the volume of water in their treatment plants or the volume of the system input (water extracted, natural sources and boreholes).

In the circumstances, the validity, accuracy and completeness of the inventory balance as at 30 June, 2022 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Rukanga 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**

##### **Pending Bills -Creditors and Accruals**

The statement of financial position reflects a balance of Kshs.448,727 in respect of creditors and accruals as disclosed in Note 5 to the financial statements as at 30 June, 2022. However, no explanation was provided by the Management for failure to settle the bills during the year under review.

Failure to settle bills during the year to which they relate distorts financial statements for the year and adversely affects the provisions for the subsequent year.

#### **Other Information**

The Board of Directors is responsible for the other information, which comprises Chairman's Statement, Report of the Managing Director, Corporate Governance Statement, Management Discussions and Analysis, Environmental and Sustainability Reporting, Report of the Directors and the Statement of Directors' Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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

# REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

## **Conclusion**

As required by Article 229(6) of the Constitution, 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. Unapproved Over-expenditure**

The statement of comparison budget and actual amounts reflects final expenditure budget and actual on comparable basis of Kshs.8,795,200 and Kshs.9,024,145 respectively resulting to an over-expenditure of Kshs.228,945. However, review of the budget statement revealed that the Management spent Kshs.2,562,682 in eight items above the 10% allowable budgetary limit contrary to Regulation 43(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that County Government entities shall execute their approved budgets based on the annual appropriation legislation, and the approved annual cash flow plan.

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

### **2. Staff Ethnic Diversity**

The Company had a total staff of fifteen (15) officers during the year under review. However, the staff comprised fourteen (14) members of staff from the dominant ethnic community translating to 93% of the total staff composition. This is contrary to Section 65(e) of the County Governments Act, 2012 that requires the County Governments to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County.

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

### **3. Non-compliance with Law on a Third Gender Rule**

Review of staff records provided for audit revealed that the Company had a total staff of fifteen (15) officers during the year under review. The staff comprised twelve (12) males equivalent to eighty percent (80%) and three (3) females equivalent to twenty percent (20%) of the total staff contrary to Article 27(8) of the constitution of Kenya, 2010, which states that the state shall take legislative and other measures to implement the principle that not more than two-thirds of the members of elective or appointive bodies shall be of the same gender.

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

#### **4. Lack of a Procurement Plan**

The statement of profit or loss and other comprehensive income reflects total expenditure amounting to Kshs.9,773,893 for the year under review. However, the Company did not have a procurement plan, contrary to Regulation 40(1) of the Public Procurement and Asset Disposal Regulations, 2020 which requires that a procurement entity shall prepare a procurement plan for each financial year as part of the annual budget preparation process.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements, 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, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

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

###### **1. Lack of Risk Management Policy**

The Management did not provide supporting documents, for audit review, as evidence of existence of a risk management policy to guide the Management on risk assessment and formulation of risk mitigation strategies in the year under review. This is contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to develop risk management strategies which include fraud prevention mechanism and internal control that builds robust business operations.

In the circumstances, it was not possible to confirm whether the internal controls built within the financial and operational systems were functioning as intended during the year under review.

###### **2. Lack of Internal Audit Function and an Audit Committee of the Board**

The Company has not established an Internal Audit Function and an Audit Committee of the Board. This is contrary to Section 155 of the Public Finance Management Act, 2012

which provides for the establishment of the Internal Audit Function and an Audit Committee of the Board.

In the circumstances, the Company did not benefit from the assurance and advisory services of the internal audit function as well as oversight from the Audit Committee on the internal control systems in place.

### **3. Lack of Strategic Plan**

During the year under review, the Company did not have a strategic plan in place contrary to Section 149(2)(g) and (h) of the Public Finance Management Act, 2012 which states that in carrying out a responsibility imposed by Sub-Section (1) of the section, an accounting officer shall, in respect of the entity concerned prepare a strategic plan for the entity in conformity with the medium-term fiscal framework and financial objectives of the County Government and prepare estimates of expenditure of the entity in conformity with the strategic plan referred above.

In the circumstances, the strategic objectives of the Company may not be achieved. Further, the Management was in breach of the law.

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

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

As required by the 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;
- (iii) The Company's financial statements are in agreement with those records and returns.

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

The 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 the 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 sustainability of services 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 based on 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 overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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 Company's 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 Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures, as I consider necessary in the circumstances.

I communicate with the 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

28 March, 2023

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

## X. Statement of Profit or Loss & Other Comprehensive Income For The Year Ended 30 June 2022.

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Revenue</b>			
Operating Revenue	6	8,578,372	8,766,740
Finance income	7	150,356	219,529
Other gains/(losses)	-	-	-
<b>Total Revenue</b>		<b>8,728,728</b>	<b>8,986,269</b>
<b>Expenses</b>			
Personnel Costs	8	3,619,338	3,222,012
Board Expenses	9	533,480	340,500
Administration Costs	10	2,248,188	2,705,802
Operation & Maintenance Costs	11	2,623,139	1,822,508
Provision for Depreciation	12	749,749	794,623
Finance Costs	-	-	-
<b>Total Expenses</b>		<b>9,773,893</b>	<b>8,885,446</b>
<b>Profit/(Loss) Before Taxation</b>		<b>(1,045,165)</b>	<b>100,823</b>

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

## XI. Statement of financial position as at 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	1	26,819,405	27,569,155
<b>Total Non-Current Assets</b>		<b>26,819,405</b>	<b>27,569,155</b>
<b>Current Assets</b>			
Cash & Cash Equivalents	3	3,208,035	3,498,435
Receivable	2	<u>1,630,681</u>	<u>1,539,811</u>
		<b>4,838,716</b>	<b>5,038,246</b>
<b>Total Assets</b>		<b>31,658,121</b>	<b>32,607,401</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Capital Reserves	-	35,159,218	35,159,218
Revenue Reserve	-	<u>(4,005,834)</u>	<u>(2,960,669)</u>
<b>Total Equity</b>		<b>31,153,384</b>	<b>32,198,549</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Prepayments	4	56,010	72,153
Creditors & Accruals	5	448,728	336,698
<b>Total Current Liabilities</b>		<b>504,738</b>	<b>408,851</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>31,658,122</b>	<b>32,607,401</b>

The financial statements were approved by the Board of Directors on \_\_\_\_\_ 2022 and signed on its behalf by:

**Board Chairman**

Name: Anthony Mathenge  
 Sign: [Signature]

**General Manager**

Name: David Mporog  
 Sign: [Signature]

RUKANGA WATER & SANITATION  
 CO. LTD.  
 P. O. Box 311 - 10230,  
 SAGANA-KENYA

TEL:.....

TEL:.....

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

## XII. Statement of changes in equity for the year ended 30 June 2022.

	Capital Reserves	Revenue Reserves	Total
	Kshs	Kshs	Kshs
Balance as at 1 July 2020	35,159,218	(3,061,492)	32,097,726
Profit / (Loss) for the year		100,823	100,823
Balance as at 30 June 2021	35,159,218	(2,960,669)	32,198,549
Balance as at 1 July 2021	35,159,218	(2,960,669)	32,198,549
Profit / (Loss) for the year		(1,045,165)	(1,045,165)
Balance as at 30 June 2022	35,159,218	(4,005,834)	31,153,384

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

## XIII. Statement of cashflows for the year ended June 2022.

		2021/2022	2020/2021
	Notes	Kshs	Kshs
<b><u>Cash flow from Operating Activities</u></b>			
Net (Deficit) / surplus before tax		(1,045,164.83)	100,823.32
<b><u>Adjustments for:</u></b>			
Provision for Depreciation		749,748.58	794,623.40
Interest Income (Net)		(150,356.25)	(140,029.05)
Gain on Disposal		-	(79,500.00)
		(445,772.50)	675,917.67
<b><u>Adjustments for working capital changes:</u></b>			
(Increase)/Decrease in Receivables		(90,870)	(68,883.00)
Increase/(Decrease) in Prepayments (i.e. prepaid debtors)		(16,143)	12,902.00
Increase/(Decrease) in Creditors & Accruals		112,029.05	(29,481.72)
<b>Changes in working capital</b>		<b>5,016.25</b>	<b>(85,462.72)</b>
<b>Cash generated from operations</b>		<b>(440,756.25)</b>	<b>590,454.95</b>
<b><u>Cash flow from Investing Activities</u></b>			
Purchase of property, plant & equipment	1	0	(104,000)
Interest Income (Net)		150,356.25	140,029.05
Gain on Disposal		0	79,500
<b>Net Cash generated from/(used in) investing Activities</b>		<b>150,356.25</b>	<b>115,529.05</b>
<b>Net Increase/(decrease) in Cash and Cash Equivalents</b>		<b>(290,400)</b>	<b>705,984</b>
<b><u>Cash and Cash Equivalents at Year End</u></b>			
<b>Balance at the start of the year</b>		<b>3,498,435</b>	<b>2,792,451</b>
<b>Balance at the end of the year</b>			
<b>Balance as at 30 June 2022</b>	3	<b>3,208,035</b>	<b>3,498,435</b>

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

## XIV. Statement of comparison of budget and actual amounts for the period ended 30 June 2022

	ORIGINAL BUDGET 2021/2022	ADJUSTM ENTS 2021/2022	FINAL BUDGET 2021/2022	ACTUAL ON COMPARA BLE 2021/2022	PERFORMA NCE / DIFFERENC E 2021/2022
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Estimated Revenue:</b>					
Water Charges	8,215,190	-	8,215,190	7,532,871	682,319
Development fee	246,666	-	246,666	524,701	-278,035
Application fee	50,933	-	50,933	46,000	4,933
Fines/ Penalties	477,733	-	477,733	474,800	2,933
<b>Total sales</b>	<b>8,990,522</b>	<b>-</b>	<b>8,990,522</b>	<b>8,578,372</b>	<b>412,150</b>
Savings	-	-	-	-	0
Grants	-	-	-	-	0
Interest income	140,000	-	140,000	150,356	-10,356
<b>Total Revenue</b>	<b>9,130,522</b>	<b>-</b>	<b>9,130,522</b>	<b>8,728,728</b>	<b>401,794</b>
<b>Operations &amp; Maintenance (O&amp;M)</b>					
<b>Personnel expenditures</b>					
Gratuity	165,000	-	165,000	45,000	120,000
salaries	3,500,000	-	3,500,000	3,574,338	-74,338
Statutory Employer contribution (Pension)	150,000	-	150,000	-	150,000
Statutory Employer contribution (NSSF)	250,000	-	250,000	-	250,000
Statutory Employer contribution (NHIF)	60,000	-	60,000	-	60,000
Casual wages	50,000	-	50,000	-	50,000
Staff Bonus end of year party	30,000	-	30,000	-	30,000
<b>Total Personnel expenditures</b>	<b>4,205,000</b>	<b>-</b>	<b>4,205,000</b>	<b>3,619,338</b>	<b>585,662</b>
Staff Training	100,000	-	100,000	0	100,000
<b>Total training</b>	<b>100,000</b>	<b>-</b>	<b>100,000</b>	<b>0</b>	<b>100,000</b>
<b>Administration expenditures - General</b>					
Rent & Rates	20,000	-	20,000	15,000	5,000
Email & internet	72,000	-	72,000	69,668	2,332
Postage Expenses	12,000	-	12,000	22,750	-10,750
Telephone Expenses	63,000	-	63,000	56,664	6,336
Insurance	12,000	-	12,000	11,464	536
Bank charges and interest on loans	16,000	-	16,000	37,860	-21,860

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

		-			
AGM Expenses (stakeholder participation)	300,000	-	300,000	-	300,000
Public Relation (Baraza)	50,000	-	50,000	1,000	49,000
Stationery/Printing & publishing	80,000	-	80,000	77,095	2,905
staff welfare	30,000	-	30,000	29,851	149
staff meeting	20,000	-	20,000	64,100	-44,100
Travelling and Accommodation	300,000	-	300,000	1,352,446	-1,052,446
Professional fees	120,000	-	120,000	30,000	90,000
security expenses	555,000	-	555,000	500,640	54,360
Audit fees	200,000	-	200,000	-	200,000
<b>Total General administration expenditures</b>	<b>1,850,000</b>	<b>-</b>	<b>1,850,000</b>	<b>2,268,538</b>	<b>-418,538</b>
Board and committee expenses	155,000	-	155,000	533,480	-378,480
<b>Total Board expenditures</b>	<b>155,000</b>	<b>-</b>	<b>155,000</b>	<b>533,480</b>	<b>-383,480</b>
<b>Other Operation Expenditure</b>		-			
Computer Maintenance	30,000	-	30,000	53,060	-23,060
Uniforms (PPE)	30,000	-	30,000	3,685	26,315
Electricity (Lighting)	20,000	-	20,000	15,525	4,475
Water Chemicals	640,000	-	640,000	603,780	36,220
Fuel for vehicles/Generators	150,000	-	150,000	197,376	-47,376
<b>Levies</b>		-			
WRUA/WASPA	20,000	-	20,000	20,000	0
Water abstraction fees and permit (WRA)	115,000	-	115,000	116,354	-1,354
Regulatory levy -WASREB	70,200	-	70,200	75,349	-5,149
<b>Total other operational expenditures</b>	<b>1,075,200</b>	<b>-</b>	<b>1,075,200</b>	<b>1,085,129</b>	<b>-9,929</b>
<b>Total operational expenditures</b>	<b>7,385,200</b>	<b>-</b>	<b>7,385,200</b>	<b>7,506,485</b>	<b>-121,285</b>
<b>Maintenance expenditures</b>					
Transport hire	70,000	-	70,000	21,550	48,450
office repairs painting and renovation	20,000	-	20,000	-	20,000
Transport operating expenses	70,000	-	70,000	11,500	58,500
Water Supply Rehabilitations and Maintenance	500,000	-	500,000	1,484,610	-984,610
<b>Total maintenance expenditures</b>	<b>660,000</b>	<b>-</b>	<b>660,000</b>	<b>1,517,660</b>	<b>-857,660</b>
<b>Total O+M expenditures (RECURRENT EXPENDITURE)</b>	<b>8,045,200</b>	<b>-</b>	<b>8,045,200</b>	<b>9,024,145</b>	<b>-978,945</b>
<b>Minor Investments</b>					
Procurement of a billing Software	500,000	-	500,000	-	500,000

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

Procurement of Motor bike / Extension lines	100,000	-	100,000	-	100,000
Completion of sanitation block	0	-	-	-	0
Procurement of Consumer meter	150,000	-	150,000	-	150,000
<b>Total Minor Investments</b>	<b>750,000</b>	<b>-</b>	<b>750,000</b>	<b>-</b>	<b>750,000</b>
<b>TOTAL EXPENDITURE</b>	<b>8,795,200</b>	<b>-</b>	<b>8,795,200</b>	<b>9,024,145</b>	<b>-228,945</b>
<b>DEFICIT / SURPLUS</b>	<b>335,322</b>	<b>-</b>	<b>335,322</b>	<b>(295,417)</b>	<b>630,739</b>

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

## XV. Notes to the financial statements for the year ended 30 June 2022.

### 1. General Information

Rukanga Water & Sanitation Company Ltd is established by and derives its authority and accountability from the Companies Act Cap 486 of the laws of Kenya. The Company is wholly owned by the Kirinyaga County Government and is domiciled in Kenya. The Company's principal activity is to ensure efficient and sustainable provision of quality and affordable water and sanitation services in Rukanga sub-Location and its environs.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

### 2. Statement of compliance and Basis of preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention.

The financial statements have been prepared and presented in Kenya shillings, which is the functional and reporting currency of the company.

The financial statements have been prepared in accordance with the PFM Act 2012, the State Corporations Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

The Public Finance Management (PFM) Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazette members of the Board through Gazette Notice No. 1199 of 28 February 2014.

Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-commercial entities, the pronouncements made by the board have no significant impact on the entity's financial statement as Rukanga Water and Sanitation Company has been preparing its financial statements in accordance to IFRS.

### Application of new and revised IFRS

The Public Finance Management (PFM) Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazetted members of the Board through Gazette Notice No. 1199 of 28 February 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-commercial entities, the entity has adopted the pronouncements made by the IPSAS board in preparation of its current year financial statements.

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

---

## XVI. Notes to the financial statements for the year ended 30 June 2022.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES – (continued)

#### a) Revenue Recognition and treatment of Government (GOK) Grant

- **Water sales**

The company adopts the accrual basis of accounting for revenue. Revenue /sales is recognized upon billing to the customers.

- **Application Fee**

This is amount collected as a result of a new connection being a registration fee

- **Development Fee**

This is amount collected from a new customer to cater for costs that the company shall incur during installation of that new connection.

- **Fines/Penalties**

Revenue is recognized upon billing to the customers once their water is disconnected on ground or once customer is caught using water illegally or tempering with consumer water meter.

- **Finance income**

Ccomprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.

#### b) Property, Plant and Equipment

Items of property, plant and equipment are stated at historical costs less accumulated depreciation.

Depreciation is charged on a reducing balance basis over the estimated useful lives of the asset. The annual rates of the depreciation used are as follows:

Class of Assets	Rate of Depreciation
• Land	0%
• Buildings & water supply assets	2.5%
• Fixtures & fittings meters	12.5%
• Fencing & other operational assets	25%
• Computer Software & Hardware	30%
• Electrical installation	10%
• Test equipment	15%

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

---

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement.

## **c) Cash and cash equivalent**

For the purposes of cash flow statements, cash and cash equivalents comprise of bank balances and cash in hand.

## **d) Incorporation**

The Company is incorporated in Kenya under the Companies Act.

## **e) Currency**

The Financial Statements have been prepared using Kenya Shillings (Kshs.)

## **f) Trade and other payables**

Trade and other payables are non-interest bearing, 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.

## **g) Risk Management**

This section provides details of the Company's exposure to risks and describes the method used by the management to control risks. The most important type of financial risk to which the company is exposed are: -

### **I. Credit risk**

The entity is exposed to credit risk, which is the risk that our customers may be unable to pay their debt. Management is enforcing disconnections on time to avoid debt accumulating.

### **II. Liquidity risk**

Liquidity risk arises in the general funding of the company's activities and in the management of positions.

The company continually assesses liquidity risk by identifying and monitoring changes in funding required meeting business goals and targets set in terms of the overall company strategy.

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

## III. Market risk

The company had no any interest-bearing financial instrument or obligation as at the end of financial year and there was no significant currency risk as no foreign transaction ensued during the year.

	AS AT 30 <sup>TH</sup> JUNE 2021	AS AT 30 <sup>TH</sup> JUNE 2022
CASH AT HAND	5,735	1,810
BANK BALANCE	3,492,700	3,206,225

### h) Comparative figures

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

### i) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the Financial statements for the year ended June 30, 2022.

### j) Budget information

The original budget for FY 2021-2022 had no Subsequent revisions or additional appropriations made in the year ended 30<sup>th</sup> June 2022.

### k) Related Parties

The Company regards a related party as a person or entity with the ability to exert control individually or jointly, or to exercise significant influence over the entity, or vice versa. Members of key management are regarded as related parties and comprise the director and the senior managers.

### l) Provision for staff leave

Employees are entitled to annual leave every financial year.

### m) Reserves

#### i. Capital reserves

Capital reserves represent net assets capitalized at the formation of the company and represent the book values of those assets.

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

## ii. Revenue reserves

Revenue reserves represent the excess of the income over recurrent expenditure. This is as a result of accumulation of surplus and deficits over the years.

## Notes to the Financial Statements -(Continued)

### 1. PROPERTY, PLANT & EQUIPMENT SCHEDULE

Land	Building & Water Supply Assets	Fixtures & Fittings meters	Fencing and other operational Assets	Computer Software & Hardware	Electrical Installation	Test Equipment	Total	
Kshs		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
AT 1 July 2020	1,938,269	32,697,662	666,530	747,427	417,489	40,040	1,200,000	37,707,417
Additions			104,000			0		104,000
LESS: Disposal			(106,700)					(106,700)
At 30 June 2021	1,938,269	32,697,662	666,530	744,727	417,489	40,040	1,200,000	37,704,717
								0

COST	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
AT 1 July 2021	1,938,269	32,697,662	666,530	744,727	417,489	40,040	1,200,000	37,704,717
Additions							0	0
LESS: Disposal								0
At 30 June 2022	1,938,269	32,697,662	666,530	744,727	417,489	40,040	1,200,000	37,704,717
								0

### ACCUMULATED DEPRECIATION

	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
At 30 June 2020	0	7,215,543	312,769	614,363	405,097	26,855	873,012	9,447,639
Accumulated depreciation on disposal			(106,700)					(106,700)
Charge for the year	0	637,053	44,220	59,266	3,718	1,319	49,048	794,624
At 30 June 2021	0	7,852,596	356,989	566,929	408,815	28,174	922,060	10,135,563

### ACCUMULATED DEPRECIATION

	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
At 30 June 2021	0	7,852,596	356,989	566,929	408,815	28,174	922,060	10,135,563
Accumulated depreciation on disposal								0
Charge for the year	0	621,127	38,693	44,450	2,602	1,187	41,691	749,749
At 30 June 2022	0	8,473,723	395,682	611,379	411,417	29,361	963,751	10,885,312

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

<b>NET BOOK VALUE</b>								
At 30 June 2022	1,938,269	24,223,939	270,848	133,349	6,072	10,679	236,249	26,819,405
At 30 June 2021	1,938,269	24,845,066	309,541	177,798	8,674	11,866	277,940	27,569,154

## Notes to the Financial Statements Continued

	<u>2021/2022</u>	<u>2020/2021</u>
	Kshs	Kshs
<b>2 Receivables</b>		
Trade receivables	1,630,681	1,539,811
	<u>1,630,681</u>	<u>1,539,811</u>
<b>3 Cash &amp; Cash Equivalent</b>		
<u>Cash at bank</u>		
Cooperative Bank-01100272011801	212,892.97	62,536.72
Recurrent (Equity Bank)-0420299470198	318,319.33	702,267.08
Equity Bank-0420499470176	144,672.70	182,216.20
Treasury Bills	2,500,000	2,500,000
Mpesa	30,340	45,680
Cash in hand	<u>1,810</u>	<u>5,735</u>
	<b>3,208,035</b>	<b>3,498,435</b>
<b>4 Prepayments</b>		
Prepayments relates to debtors (water sales customers) with credit balances (overpayments)	56,010	72,153
<b>5 Creditors and Accruals</b>		
Trade Creditors	34,522	58,367
Gratuity	45,000	0
Payroll deductions	52,244	35,399
Levies	316,961	242,932
	<b>448,727</b>	<b>336,698</b>

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

<b>6</b>	<b>INCOME (GROSS TURNOVER/SALES)</b>		
	Water Sales	7,532,871	8,000,440
	Application fee	46,000	47,700
	Development	524,701	232,500
	Fines /Penalties	474,800	486,100
	<b>TOTAL INCOME</b>	<b>8,578,372</b>	<b>8,766,740</b>
<b>7</b>	<b>Finance Income</b>		
	Gain on Disposal	0	79,500
	Interest on treasury bills	150,356	140,029
		<b>150,356</b>	<b>219,529</b>
	<b><u>EXPENDITURE</u></b>		
<b>8</b>	<b><u>PERSONNEL COSTS</u></b>		
	Salary	3,574,338	3,222,012
	Casual Wages/Gratuity	45,000	0
	<b>TOTAL PERSONNEL COSTS</b>	<b>3,619,338</b>	<b>3,222,012</b>
<b>9</b>	<b><u>DIRECTORS COSTS</u></b>		
	Board meetings & conferences	533,480	340,500
	<b>TOTAL DIRECTORS' COSTS</b>	<b>533,480</b>	<b>340,500</b>
	<b><u>TRAINING EXPENSES</u></b>		
	Training Allowances (Capacity Building)	0	0
	<b><u>ADMINISTRATION COSTS &amp; STAFFS TRAINING</u></b>	<b>Kshs</b>	<b>Kshs</b>
	Rent & Rates	15,000	15,000
	Email And Internet	69,668	65,514
	Postage	22,750	9,450
	Uniforms	3,685	0
	Public relations	1,000	0
	Bank Charges	37,860	25,890
	Meeting and Conference	0	0
	Telephone expenses	56,664	53,057
	Staff welfare	29,851	17,625

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

	Staff Meetings	64,100	24,900
	Travelling & Accommodation	1,352,446	1,793,022
	Professional Fees	30,000	151,800
	Insurance	11,464	12,964
	Security Expenses	500,640	525,180
	Computer Maintenance	53,060	11,400
	<b>TOTAL ADMINISTRATIVE COSTS</b>	<b>2,248,188</b>	<b>2,705,802</b>
10	<b>TOTAL ADMINISTRATIVE &amp; TRAINING COSTS</b>	<b>2,248,188</b>	<b>2,705,685</b>
	 <b><u>OPERATION COSTS</u></b>		
	Electricity for Lighting	15,525	15,465
	Chemicals	603,780	582,379
	Transport fuels and diesel	197,376	313,430
	Stationery, Printing and Publishing	77,095	102,555
	Statutory Levies: WASPA	20,000	55,000
	WRA	116,354	117,011
	WASREB	75,349	75,855
	Transport Operating Expenses	11,500	24,830
	Transport Hire	21,550	59,000
	<b>TOTAL OPERATION COSTS</b>	<b>1,138,529</b>	<b>1,345,525</b>
	 <b>MAINTENANCE COSTS</b>		
	Water supplies rehabilitation augmentation & maintenance works	1,484,610	476,983
11	<b>TOTAL MAINTENANCE COSTS</b>	<b>1,484,610</b>	<b>476,983</b>
	<b>TOTAL OPERATION &amp; MAINTENANCE COSTS</b>	<b>2,623,139</b>	<b>1,822,508</b>
12	<b>Provision for Depreciation</b>	<b>749,749</b>	<b>794,623</b>

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2022

## **XVII. Appendices**

### **APPENDIX 1: Progress on follow up of auditor recommendation**

We are in the process of addressing issues raised by auditor and will keep reviewing them progressively

### **APPENDIX II: Projects implemented by the entity**

The company did not do any project.

### **APPENDIX III: Inter-entity transfers**

We did not have any inter entity transfer during this financial year.

### **APPENDIX IV: Recording of transfers from other government entities**

N/A

