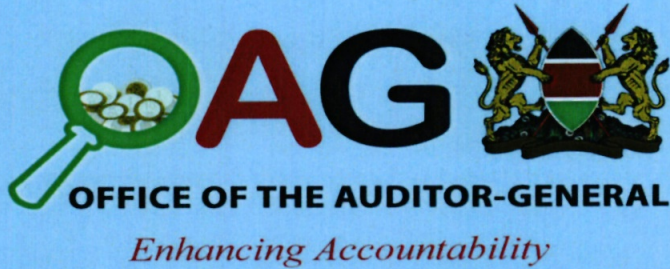


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REPUBLIC OF KENYA



**REPORT**

PAPERS LAID	
DATE	09/11/2022
TABLED BY	SENATE MAJORITY WHIP
COMMITTEE	_____
CLERK AT THE TABLE	Ms. MACHARIA.

**OF**

**THE AUDITOR-GENERAL**

**ON**

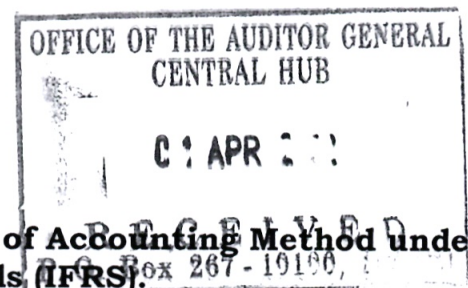
**MURANG'A WATER AND SANITATION  
COMPANY LIMITED**

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



**MURANG'A WATER & SANITATION CO. LTD.**

**ANNUAL REPORTS &  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30<sup>TH</sup> JUNE 2021**



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

**MURANG'A WATER AND SANITATION COMPANY LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

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

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

### **I. KEY ENTITY INFORMATION**

#### **Incorporation**

The company is a limited company by guarantee established under the Companies Act Cap 486 (Revised 2015) and licensed by Tana Water Services Board through Service Provision Agreement (SPA) signed on 2<sup>nd</sup> May 2006 and reviewed on 4<sup>th</sup> May 2012.

#### **Principal Activity**

The principal activity of the company is to provide water and sanitation services within Murang'a town and its environs.

#### **Vision:**

To become a sustainable world-class water and sanitation services provider.

#### **Mission:**

To provide quality water and sanitation services in a reliable, efficient and sustainable manner.

#### **Core values:**

1. Customer focus
2. Integrity-ethical conduct
3. Teamwork and cohesion among staff
4. Networking and collaboration with external interested parties
5. Professionalism and commitment to duty
6. Equity
7. Transparency and accountability

### **THE BOARD OF DIRECTORS**

<b><u>NAME</u></b>	<b><u>DESIGNATION</u></b>	<b><u>DATE OF APPOINTMENT</u></b>
Dr. P. K. Munga	Chairman	Appointed on 18 <sup>th</sup> October 2019
Eng. D. Ng'ang'a	Managing Director	Appointed on 1 <sup>st</sup> November 2019
H. M. Mwithiga	Member	Appointed on 18 <sup>th</sup> October 2019
S. Karina	Member	Appointed on 18 <sup>th</sup> October 2019
M. Gichomo	Member	Appointed on 18 <sup>th</sup> October 2019
P. Kiguta	Member	Appointed on 18 <sup>th</sup> October 2019
E. Gathima	Member	Appointed on 18 <sup>th</sup> October 2019
B. Wanjeri	Member	Appointed on 18 <sup>th</sup> October 2019
J. Kamwaga	Member	Appointed on 18 <sup>th</sup> October 2019
A. Mutiria	Member	Left on October 2020
S. Njogu	Member	Appointed in 2020
D. Waweru	Member	Appointed in 2018
A. Maina	Member	Appointed in 2020

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**COMPANY SECRETARY**

Gichuke Ribathi & Company Advocates  
P.O BOX 5556-00200  
NAIROBI

**REGISTERED OFFICE**

Muwasco Building, Murang'a  
Kangema Road  
P. O. Box 1050 - 10200  
MURANG'A.

**COMPANY CONTACTS**

Telephone-0712292544  
E-Mail-managingdirector@muwasco.co.ke  
Website-www.muwasco.co.ke

**CORPORATE BANKERS**





1. Equity Bank Ltd.  
P. O. BOX 1060 - 10200,  
MURANG'A.
2. Cooperative Bank Of Kenya  
P. O. BOX 954 - 10200,  
MURANG'A.
3. Family Bank  
P. O. BOX 1130 - 10200,  
MURANG'A.

**AUDITORS**






Office of Auditor General  
P.O. Box 30084 - 00100  
NAIROBI.

**MURANG'A WATER AND SANITATION COMPANY LIMITED  
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**II. THE BOARD OF DIRECTORS**

 <p>DR. P.K. MUNGA</p>	<p>He was born in the year 1943. He was appointed on 18<sup>th</sup> October 2019. He is an industrialist and a business man with interests in banking, manufacturing, insurance among others. He has vast experience in both public and private sector and has been contributing immensely to the community in scholarships and other social wellbeing. He is a former chairman of Equity bank and a member of boards of various blue-chip companies. He is the proprietor of Equatorial Industrial Park and Pioneer group of schools among others. He is a qualified Certified Public Secretary (CPSK) and holds many other certificates in management and corporate governance. He is an independent member and the chairman to the board.</p>
 <p>ENG. D. NG'ANG'A</p>	<p>He was born in 1978. He is the current Managing Director of Murang'a Water &amp; Sanitation Company since the company's inception in 2007. He has huge experience in the water sector and also has worked in the private sector. He is a registered engineer, has a BSC civil engineering degree, Executive Masters degree in Business Administration and a diploma in Community Development. He has attended numerous managerial and administration courses both locally and abroad. He is an executive member and the secretary to the board.</p>
 <p>H.M. MWITHIGA</p>	<p>He was born in 1944. He was appointed on 18<sup>th</sup> October 2019. He has vast experience in both the public and private sector having worked for many years with BAT rising to the post of Area Marketing Manager. He founded and is the current proprietor of Murang'a Tobacco Distributors. He has served in many schools management boards as well as ACK church council committees in various capacities. He holds various post high school certificates in sales, management and corporate governance. He is an independent member. He is the chairman audit and risk management committee of the board.</p>
 <p>S. KARINA</p>	<p>She was born in 1981. She was appointed on 18<sup>th</sup> October 2019. She has vast experience in community development and the founder and current director of an NGO called Friends For The Abused People International (FOTAPI). She has also worked in various capacities with: NACADA, ECK, Uwezo Kenya, Joyful Women, Probation office and been a member of school boards. She holds a bachelors degree in social work and administration and has numerous certificates in community development related courses from various institutions. She is an independent member and a member of finance and administration committee of the board.</p>

**MURANG'A WATER AND SANITATION COMPANY LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

 <p>M. GICHOMO</p>	<p>She was born in 1985. She was appointed on 18<sup>th</sup> October 2019. She is a career journalist with experience in journalism and social work. She has also worked as an assistant director at Radio Maria station. She has been involved in various youth development programs and represented the youth in various capacities. She is also a founder member of Murang'a Active Youth Group.</p> <p>She is a diploma holder in Journalism and diverse certificates from various institutions. She is an independent member and a member of Audit and risk management committee of the board.</p>
 <p>P. KIGUTA</p>	<p>He was born in 1951. He was appointed on 18<sup>th</sup> October 2019. A career accountant, he has enormous experience in the private sector as well as participated in many social and community development activities. He is currently a partner with Ruhiu &amp; Associates CPAs. He has been the chairman of the Murang'a chapter of the Chamber of Commerce and Industry, organizing secretary of Kikuyu council of elders (Murang'a). He has also served in various capacities in religious organizations.</p> <p>He has various post high school certificates. He is an independent member and the chairman of the finance and administration committee of the board.</p>
 <p>E. GATHIMA</p>	<p>He was born in 1972. He was appointed on 18<sup>th</sup> October 2019. He has many years of experience in representing the physically challenged persons in various capacities. He has served in the capacities of treasurer, secretary and chairman in various groups of the physically challenged.</p> <p>He has attained certificates in food production, evangelism &amp; discipleship and computer packages. He is an independent member and a member of finance and administration committee of the board.</p>
 <p>B. WANJERI</p>	<p>She was born in 1954. She was appointed on 18<sup>th</sup> October 2019. She represents Maendeleo ya wanawake. She is a diploma holder in human resource and guidance and counseling from university of Nairobi. She has also undergone short courses in local government supervisory management and effective supervision course. She has worked as a human resource officer, administrative officer and senior secretary. She is an independent member and a member of Audit and risk management committee of the board.</p>
 <p>J. KAMWAGA</p>	<p>She was born in 1961. She was appointed on 18<sup>th</sup> October 2019. She represents women organizations. She holds certificates in Community rehabilitation, Population management and integrated family life. She has vast experience in Project profile preparation, entrepreneurship and strategic planning. She has experience in civic education and has participated in constitution review process as a district delegate in Bomas of Kenya. She has also worked with various Government agencies, NGOs and private institutions as a consultant and trainer on community empowerment programs. She has also served as a chairperson in various positions including National Council of women of Kenya Kiharu branch, National Council of women of Kenya Murang'a County Chapter, Murang'a county peace Committee and Family Health Options Kenya. She is a member of National Council of Women of Kenya (NCWK). She is an independent member and a member of Finance and administration committee of MUWASCO Board.</p>








**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

 <p>A. MUTIRIA</p>	<p>He was born in 1971. He was appointed on 18<sup>th</sup> October 2019. He is a holder of B.Ed (Arts) from Kenyatta university and currently pursuing his Masters in Linguistics in the same institution. He also hold senior management certificate from Kenya School of Government with vast experience in management of both private and public institutions. He has served in Thika Technical Training Institute (TTTI) as chief Technical and Vocational Trainer and also in Gitugi Girls High School as dean of studies. He commands business acumen and has experience with Royal Media Services Limited as a regional sales representative. He is a member of Public Relations Society of Kenya .He is an independent member and a member of Audit and risk management committee of MUWASCO board.</p>
 <p>S. NJOGU</p>	<p>He was born in 1965. He was appointed in the year 2020. He is the current Acting Murang'a Municipal Manager, Murang'a County Government. He is a holder of Bachelor's degree in Administration from the University of Nairobi. He also holds numerous local and international Post Graduate certificates from Finland, Singapore and Morocco among others. Currently he is a student studying law as well as Masters Degree in Public Administration.</p> <p>Mr. Njogu has diverse experience in Management in the Public Sector in Kenya. He has over ten years of experience as a town clerk and over seven years as the Deputy Clerk to Murang'a County Assembly.</p>
 <p>D. WAWERU</p>	<p>He was born in 1961. He was appointed in the year 2018. Hon. Wakaba is the CEC Finance, IT and Economic Planning Murang'a County Government. He holds a degree in Bachelor of Commerce from the University of Nairobi. He also holds Advanced Management Program from Strathmore University and the University of Navarra and Post Graduate training with the Marketing Society of Kenya. He has diverse experience in Management gained from numerous years working in senior positions for the Private Sector and Government in Kenya and in the East African Region. Prior to his appointment as the CEC Finance, he held the portfolio of CEC Trade, Commerce and Industrialization</p>
 <p>A. MAINA</p>	<p>He was born in 1985. He was appointed in the year 2020. Currently the Chief Officer in charge of Water and Irrigation docket, Murang'a County Government. He holds a Bachelor's degree in Finance from the Kenyatta University. He also holds several other certificates in Post Graduate trainings. He has varied experience in Management both in the Public and Private Sectors in Kenya and has been an astute businessman.</p>

**MURANG'A WATER AND SANITATION COMPANY LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**III. MANAGEMENT TEAM**

The Company's senior management team is as follows:

1.	 ENG. D. NGA'NG'A	BSC CIVIL ENGINEERING, EMBA, DIP. COMMUNITY DEVELOPMENT	MANAGING DIRECTOR
2.	 CPA .J. MAINA	CPA(K), B.COM, MASTER OF PUBLIC POLICY AND ADMINISTRATION	COMMERICAL MANAGER
3.	 ENG.P.KARENJU	BSC CIVIL ENGINEERING	TECHNICAL MANAGER
4.	 CPA. P. NJERU	B.COM CPA(K)	HEAD OF INTERNAL AUDIT
5.	 J. MBUTHIA	BMC, DIPLOMA IN JOURNALISM & MEDIA STUDIES	HEAD OF CORPORATE AFFAIRS
6.	 P. MWANGI	DIPLOMA IN ENVIRONMENTAL TECHNOLOGY, CERTIFICATE IN M&E	HEAD OF MONITORING AND EVALUATION
7.	 LILIAN MAINA	B.Sc. (HRM) ,Diploma Business Management(HRM)	HEAD OF HUMAN RESOURCES & ADMINISTRATION

# MURANG'A WATER AND SANITATION COMPANY LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021

### IV. CHAIRMAN'S STATEMENT

I am delighted to release our annual report and financial statements for the year ended 30<sup>th</sup> June 2021. Over the year, the company continued to make improvement in key performance areas which guarantee stakeholders' value and ensure the residents of Murang'a town and its' environs have access to safe and reliable water services.

#### **Operating Environment**

The year started on a sour note at the height of the Covi-19 pandemic which had stifled economic growth in the country which affected all sectors of the economy and generally capital investment was lower than expected.

Despite this difficult operating environment, the demand for our services continued to rise since water has been key in controlling the spread of the virus. We have continued to listen to views of all our stakeholders and endeavor to develop, run and work in an environmentally sustainable and socially responsible manner. This includes a continued focus on operational efficiency, resources conservation efforts and responding to the needs of our customers.

#### **Expansion Programmes**

Our focus has been on ensuring that we deliver the highest level of service to our customers and provide them with reliable and sufficient water and sewerage services.

In this regard we have initiated programmes to both increase the water supply and also expand our network to reach the un-served residents in our area of jurisdiction.

Our efforts were recognized by the national regulator and the Murang'a county government and our area of jurisdiction has been recommended to cover the whole of the new Murang'a Municipality in the near future.

In addition, during the year, our continued relationship with our development partners ensured that we procured investment of **ksh. 115 million**. We also received **ksh. 34million** under the Conditional Liquidity Grant programme funded by World Bank through Water Sector Trust Fund.

#### **Financial performance**

I am elated to report another year of continued progress for our company in which our financial performance showed improved growth. Despite the obvious negative effects of Covid-19, our revenues from operating activities in the year rose to **ksh.202.8million** from **ksh.195.7million** reported in the year 2020. The increased sales and prudent management of the available resources enabled us to deliver an investment of **ksh.35million** in fixed assets from internally generated funds.

#### **Future Plans**

Our success depends on our ability to figure out the future by anticipating and responding to change. The company has embraced new technology and has acquired new meter reading, billing and reporting systems which are part of an elaborate Enterprise Resource Program (ERP).

Looking ahead, the board will continue to support investment in new projects to ensure the continued growth of the company and progress towards achieving the

**MURANG'A WATER AND SANITATION COMPANY LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**CHAIRMAN'S STATEMENT(continued)**

company's main objective, that of delivering greater value to its stakeholders for socio-economic development.

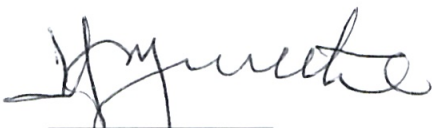
With favorable operating environment, support from our stakeholders and financial partners, we expect to expand our water supply network to all the residents of Murang'a Municipality.

This expansion programme will require an estimated investment of over **ksh.2billion** which calls for a lot of resource mobilization.

**Tribute**

Finally, I would wish to extend my earnest gratitude to my fellow Board of Directors, County Government of Murang'a, Both Tana and Athi Water Works Development Agencies, the Ministry of Water, Sanitation and Irrigation and all our customers for their support. I also thank the management and employees of MUWASCO for their hard work over the financial year.

To all of you I am forever grateful.

  
for **Dr. P. K. MUNGA**  
**Chairman, Board of Directors**

# MURANG'A WATER AND SANITATION COMPANY LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021

### V. MANAGING DIRECTOR'S STATEMENT

#### General Overview

I am pleased to report yet another annual performance of the company for the period ended 30<sup>th</sup> June 2021. The company's performance has remained stable despite the unpredicted challenges experienced during the financial year as a result of the global Covid-19 pandemic. Our challenge of high Non Revenue Water has continued to pose as a risk in our operations due to the aged infrastructure which requires huge investment for renewal. Through Public Private Partnership we are seeking funds to renew our old infrastructure in order to reduce the Non revenue water to acceptable levels of below 20% from the current 23%. In our proposal, we expect to renew infrastructure in Murang'a CBD and Mukuyu. The demand for water in our area of jurisdiction has increased and we are also seeking various ways to increase our daily production capacity to meet the current water demand.

Our company's performance as per Impact report issue No. 13 of 2021 released by WASREB ranked us number two (2) in our category and number four (4) overall for the year 2019/2020. The rank was based out of 84 companies countrywide. This is an indicator of the potential we have even to perform better.

Our customers have continued to enjoy quality services and this is evident from feedback we are receiving from them and we target to improve on this even higher.

During this period our operations were affected by the outbreak of Covid-19 pandemic which prompted us to have emergency interventions both physical and financial. We provided free water to the public through various water points for hand washing as water was considered a major factor in the fight against the spread of the virus. During the first six months of the pandemic, we also did not disconnect water to customers who were not able to pay their bills on time. To ease congestions and maintain social distance from work place we introduced working shifts where a number of staff could work from home and we relocated our customer care desk to near our gate. With introduction of Covid-19 vaccination we have worked with the Murang'a county health department to ensure our staffs are vaccinated and we are optimistic that the spread of the virus will be contained and it will have minimal effects in our operations in the future..

#### Company performance

Below is a summary of the company performance during the year compared to the previous two years:-

No.	ITEM	2018 /2019	2019 /2020	2020 /2021
1	Total Billings (Kshs in Millions)	182.7	195.7	213.6
2	Operating Exp (Kshs in Millions)	186.5	196.7	235
3	Capital Exp (Kshs in Millions)	15	12.5	52
4	Number of active water Connections	13,060	14,073	15,065
5	Number of active sewerage Connections	5,089	5,424	5,866

The performance of the company has continued to improve and during the financial year 2020-2021, we were able to increase the active water connections by 992 connections.

# MURANG'A WATER AND SANITATION COMPANY LIMITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021

## MANAGING DIRECTORS'S STATEMENT(continued)

### Projects

With internally generated funds and the support of partners such as Tana Water Works Development Agency, Athi Water Works Development Agency, Water Sector Trust Fund and other partners, the following projects were completed during the year:-

No.	Project	Source of Fund	Amount(Ksh.)
1	Water Extensions	Internal/Murang'a county govt(6million)	35.4 Million
2	Sewerage Extensions in Mumbi, Juvenile and red Cross	Internal	2.6 Million
3	Office furniture and Computers and equipments	Internal	1.8 Million
4	Motor Cycles	CLSG-WSTF	1.5 Million
5	Extension of Water to Embassy, Ngaru snow line and Mukuyu Kabuta	CLSG-WSTF	7.7 Millions
6	Customer care office, Security and office partitioning	Internal	2.9 Millions
7	Karichiungu Tank	Can-Do Kids International	5.0 Million
8	Kabuta-Karemaini water extension	Mission 58	2.4 Million
9	Last Mile Connectivity	TWWDA	65 Millions

### Challenges

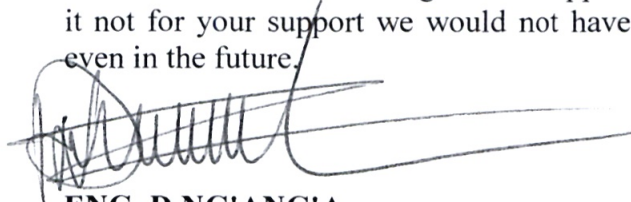
Our proposed cost recovery tariffs went through the required process but they have not been implemented and hence we continued to rely on creditors to cater for our short term liquidity needs.

### Gratitude

I must thank the Board of directors for their guidance in policy formulation and strategic directions towards achieving our vision. This would go hand in hand with the management effort and entire staff members of MUWASCO who have executed the strategies to enabling us attain what we have achieved in the year 2020/2021. It's my belief that we will achieve much through your commitment and dedication. I am confident that we have all what it takes to manage the significant opportunities and risks that lie before us.

Lastly my gratitude goes to Murang'a County Government, MUWASCO stakeholders, TWWDA, WASREB, AWWDA, W.S.T.F, Ministry of Water, Sanitation & Irrigation, our development partners and other institutions who supported us financially or otherwise.

For those others who have given us support of any kind be it moral or in kind we thank you. Were it not for your support we would not have achieved much. We look forward in working together even in the future.



**ENG. D.NG'ANG'A**  
**MANAGING DIRECTOR**

**MURANG'A WATER AND SANITATION COMPANY LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**VI. STATEMENT OF PERFORMANCE AGAINST PREDERMINED OBJECTIVES FOR FINANCIAL YEAR 2020/2021**

Muranga Water and Sanitation Company has strategic pillars and objectives within its strategic plan for the financial year 2020/2021 to 2024/2025. These annual reports and financial statements for the financial year 2020/2021 are prepared in the first year of the strategic plan. The strategic pillars to be addressed in the current strategic plan are:

1. Enhance financial health and institutional sustainability
2. Adoption of technology and innovation
3. Human capital development and support
4. Customer and stakeholder relations management
5. Standardization of processes and operations to meet global improvement
6. Infrastructure and work environment development and improvement.

Muranga water and sanitation company develops its annual work plans based on the above 6 pillars. Assessment of the Boards performance against its annual work plan is done on a quarterly basis. The company has achieved its performance targets set for the financial year 2020/2021 period for its strategic pillars, as indicated in the diagram below.

<b>PILLAR 1</b> Enhance financial health and institutional sustainability	<b>Strategy</b>	<b>Strategic plan target</b>	<b>Extent of implementation</b>
Strategy 1	Reduce NRW	Reduce to 23 %	25%
Strategy 2	Train staff on NRW	3 trainings per year	No. 1 training held in the year (33%)
Strategy 3	Enhance resource mobilization	2 donations per year	2 donations ie from can do kids,mission 58
Strategy 4	Adhere to budgetary lines	As stipulated in the annual budgets	90% adhered to
Strategy 5	Enhance resource conservation through ERP	Functional ERP installed	Partially installed (40%)
Strategy 6	Cost optimization	As stipulated in the annual budgets	Some costs optimised
Strategy 7	Prepare,implement and review annual workplan	Reviewed annual workplan in place	Annual work plan developed but not reviewed
Strategy 8	Prepare and implement resource mobilization strategies and policies	Strategies and policies in place	Strategies and workplans in progress
Strategy 9	Review service tariffs to sustainable levels	Cost recovery tarriffs	Not yet reviewed
Strategy 10	Improve revenues through additional revenue streams	New revenue streams	No additional revenue streams

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

	<b>Strategy</b>	<b>Strategic plan target</b>	<b>Extent of implementation</b>
<b>PILLAR 2:</b> Adoption of technology and innovation			
Strategy 1	Digitization of customer care by procuring queuing machine	Functional queuing machine	Not yet in place
Strategy 2	Automate key operations including FBI,treatment works	Functional automated operations	40 % done
Strategy 3	Implement an organization wide ERP system	Functional ERP system	40 % done
Strategy 4	Diversification of product and service portfolio	2 new products	No new product or service
Strategy 5	Automate disconnection and reconnection	Functional automated disconnection and reconnection	60 % done
Strategy 6	Integration of management systems and software	IMS in place	40 % done

<b>PILLAR 3:</b> Human capital development and support	<b>Strategy</b>	<b>Strategic plan target</b>	<b>Extent of implementation</b>
Strategy 1	Conduct baseline strategic skills and competence audit	Audit reports	90 % done
Strategy 2	Develop long term human capital plans	Documented human capital plans	90 % done
Strategy 3	Undertake job evaluation,job analysis and design	Job evaluation,analysis and design reports	90 % done
Strategy 4	Conduct continous and structured training needs assessment	Assessment reports	No assessment done
Strategy 5	Conduct trainings and development initiatives	1 training per tear	Trainings done 80 %
Strategy 6	Undertake training impact assessments	Training assessment report	50 % done
Strategy 7	Enhance employee relations	No negative employee relations cases	No negative employee relations cases
Strategy 8	Review and implement HR policy manual	Documented reviewed HR policy manual	Review in progress- 90% done
Strategy 9	Enhance employee welfare programmes	1 progrm per year	Welfare asociacion and medical cover in place
Strategy 10	Standardize HR operations	Standardize	In progress

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

	to global standards	according to global HRM standards	
Strategy 11	Create departmental assistant positions	Reviewed organogram	In progress-90 % done
Strategy12	Undertake teambuilding activities	1 teambuilding per year	Not done due to covid 19 pandemic

<b>PILLAR 4:</b> Customer and stakeholder relations management	<b>Strategy</b>	<b>Strategic plan target</b>	<b>Extent of implementation</b>
Strategy 1:	Lobby for review of restrictive water legislations	Reviewed legislations in place	Wasca active member
Strategy 2:	Lobby for merger of WSPs in Muranga	Merged water companies	Not done
Strategy 3	Prepare policy guidelines on IPs/stakeholders relation management	Policy developed and implemented	In progress
Strategy 4	Increase water and sewerage connections	Increase by 14 %	Increased by 50%
Strategy 5	Reach out the unserved areas	1 unserved area per year	Increased connections at Kabuta-100%
Strategy 6	Conduct customer awareness clinics	1 clinic per year	No clinic done due to covid 19 pandemic
<b>PILLAR 5:</b> Standization of key management systems and processes to world class standards	<b>Strategy</b>	<b>Strategic plan target</b>	<b>Extent of implementation</b>
Strategy 1:	Attain ISO 9001 QMS compliance certification	ISO certificate	In progress-70% attained
Strategy 2:	Construct micro biological lab at Karie t/w	Operational lab	Not in place-looking for funding
Strategy 3	Standardize water and microbiological laboratory	Standardized against international testing standards	Not done looking for funding
Strategy 4	Improve infrastructure for operations	Improvement on equipments,,transport and ict	In progress
Strategy 5	Establish an integrated institutional risks & opportunities management system	Policy in place and implemented	In progress
Strategy 6	Compliance with local regulatoty & statutory requirements	No non compliance cases	No non compliance case
Strategy 7	Standardization against occupational safety,OSHE & food and safety.	Implement OSHE systems	In progress

**MURANG'A WATER AND SANITATION COMPANY LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

<b>PILLAR 6:Infrastrure development &amp; work environment improvement</b>	<b>Strategy</b>	<b>Strategic plan target</b>	<b>Extent of implementation</b>
Strategy 1:	Increase raw water intake	Increased volume	Increased from 223,599 to 261,671
Strategy 3	Improve of fleet and transport infrastruture	New motorbikes/vehicles	3 motor bikes procured
Strategy 4	Improvement of office facilities	Improved offices	Customer care and billing offices improved
Strategy 5	Purchase of survey equipments	Survey equipment available and in use	Not done
Strategy 6	Procure effective customer billing system	System in use	Procured-100%
Strategy 7	Procure stores management software	Software in place	Procurement of ERP is in progress
Strategy 8	Separate stores from procurement	Separated stores drom procurement	In progress

**MURANG'A WATER AND SANITATION COMPANY LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**vii. CORPORATE GOVERNANCE STATEMENT**

Corporate governance is the process and structure used to direct and manage business affairs of the company towards enhancing prosperity and corporate accounting with the ultimate objective of realizing stockholder's long term value.

The company conducts its operations in accordance with the principles of good corporate governance as provided in the Water Services Regulatory Board (WASREB) guidelines and Water Act 2016 provisions. WASREB conducts governance audit to ensure good corporate governance.

**Board of Directors**

The composition of the Board is compliant with good corporate governance practices and WASREB regulations. The roles of the Chairman and the Managing Director are segregated. The Managing Director is in charge of the day to day running of the business of the company. A non-executive director acts as the chairman of the Board. The current Board is composed of Managing Director and twelve other directors drawn from various stakeholders. The Board is therefore composed of committed individuals with diverse and complementary skills to ensure that there is sufficient wealth of experience at Board level.

**Board meetings**

Board Meetings are held every quarter and in exceptional circumstances as dictated by demand and exigencies of company operations. The following are the number of Board meetings held:

<b>TYPE OF MEETING</b>	<b>NO.</b>
Full Board Meeting	3
Finance and Admin Committee Meeting	3
Audit Committee Meeting	3
<b>Total</b>	<b>9</b>

**Board committees**

The Board has approved the delegation of certain authorities to the Board sub committees where applicable, and to the management.

The Board has three committees which are guided by clear terms of reference. The committees are instrumental in monitoring the company operations, systems and internal controls. The committees are as follows:

**Audit and risk management committee**

The members of this committee are all non-executive directors. All the members meet minimum financial literacy standards. The committee meets at least four times in a year and the internal auditor serves as the secretary of the committee.

The committee is responsible for ensuring that the Company's internal controls are adequate and that the assets at the disposal of the company are safe-guarded. It ensures that proper policies and internal control procedures are in place and also helps to ensure that the set policies and procedures are adhered to and advices on improvements and introduction of new control procedure.

**MURANG'A WATER AND SANITATION COMPANY LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**CORPORATE GOVERNANCE STATEMENT(Continued)**

**Finance and administration committee**

The committee comprises of three non executive directors and C.E.O Tana Water Works Development Agency as an ex-official. The committee is chaired by a non-executive director and meets four times a year.

The role of the committee is to monitor and review the operational and financial performance of the company against key performance indicators, identifying shortcomings and ensuring corrective measures and action are taken. The committee also reviews the company's investment plans in capital expenditure and recommends to the board for approval. The committee has also the responsibility of ensuring that the systems of financial controls are effectively administered.

This committee as well has the responsibility of ensuring the company has the right staff, at the right place and doing the right thing. More so, the committee will ensure that staff welfare is guaranteed.

Their terms of reference includes but not confined to human resource planning, employee welfare, recruitment, training, performance appraisal, discipline, health and safety and HIV/AIDS.

**Technical committee**

The committee comprises of three non executive directors and C.E.O Tana Water Works Development Agency as an ex-official. The committee is chaired by a non-executive director and meets four times a year.

This committee oversees planning, coordination and execution of development and rehabilitation projects to ensure expansion of reticulation system and to improve efficiency in water production and distribution including sewerage network

**Directors' Remuneration**

The remuneration of non-executive directors consists of sitting allowances in connection with Board and committee meetings.

**Attendance of Board meetings**

DATE	MEETING	P.K MUNGA	H.M MWITHIGA	P.KIGUTA	ESTON GATIMA	KARINA MONICA W GICHOMO	BEATRICE WANJERI	JANE KAMWAGA	ANTHONY MUTIRIA	CEC WATER	CEC FINANCE	TOWN MANAGER
09/18/20	FINANCE & ADMIN COMMITTEE			✓	✓	✓		✓				
09/18/20	AUDIT COMMITTEE		✓				✓		✓			
09/29/20	FULL BOARD		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
03/03/21	AUDIT COMMITTEE		✓				✓					
03/03/21	FINANCE & ADMIN COMMITTEE			✓	✓	✓		✓				
04/13/21	FULL BOARD		✓	✓	✓	✓	✓	✓		✓	✓	✓
06/21/21	FINANCE & ADMIN COMMITTEE			✓	✓	✓		✓				
06/21/21	AUDIT COMMITTEE		✓				✓					
06/29/21	FULL BOARD	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓

**MURANG'A WATER AND SANITATION COMPANY LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**CORPORATE GOVERNANCE STATEMENT (Continued)**

**Process of appointment and removal of directors**

A third of directors retire on rotation every year. Election of directors starts with advertisement in the media, their applications are considered by stakeholder's selection committee and this committee does a recommendation to the stakeholders. The recommendations are taken to the Annual General Meeting. The stakeholders at the AGM are at liberty to agree with the recommendations, amend or to disagree with the recommendations.

**Induction and training**

After every Annual General Meeting, the directors undergo an induction and training.

**Ethics and conduct of directors**

To show commitment of proper utilization and management of public resources and proper running of corporation's affairs, Murang'a Water and Sanitation Company has developed a code of ethics to be signed by all board members. A code of ethics provides guidance and direction in the manner in which members of the board of directors are expected to conduct themselves when handling matters relating to the company. This code is guided by the company's strategic plan.

**Going concern**

The directors confirm that the company has adequate resources to continue in business for the foreseeable future and therefore the continued use of the going concern as a basis when preparing financial statements.

SIGNED:

  
-----  
CHAIRMAN

  
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MANAGING DIRECTOR

**MURANG'A WATER AND SANITATION COMPANY LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**VIII. MANAGEMENT DISCUSSION AND ANALYSIS**

**SECTION A**

<b>The entity's operational and financial performance</b>				
No.	ITEM	2019/2020	2020/2021	
1	Total Billings (Kshs in Millions)	195.7	213.6	
2	Operating Exp (Kshs in Millions)	196.7	235	
3	Capital Exp (Kshs in Millios)	12.5	52	
4	Number of Active Water Connections	14,073	15,065	
5	Number of Active Sewerage connections	5,424	5,866	
6	Unaccounted for water	25%	25%	

**SECTION B**

<b>Entity's compliance with statutory requirements</b>
Murang'a water and sanitation company complies with various statutory requirements and the 9th AGM was held on Friday the 18th October 2019.

**SECTION C**

<b>Key projects and investment decisions the entity is planning/implementing</b>
Muranga water and sanitation company is a company limited by guarantee hence it cannot be able to finance its project through equity. The projects are financed either from internally generated funds, Grants from County Government, Constituency Development Funds, Development partners and commercial financing through performance/result based financing. The Company has a role to play if it's going to achieve Sustainable Development goals agreed by the world leaders in year 2015 for a more prosperous, equitable, and sustainable world. Specifically the company strives to meet goal number six of clean water and sanitation.

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**  
**PROPOSED PROJECTS**

<b>No</b>	<b>Project</b>	<b>Financed by</b>	<b>Sustainability</b>	<b>Approximated cost</b>
1	St Mary's sewer extension project	Murang'a County Government	-The project will increase sewer connections hence increased revenues.	52,250,000
2	Kambwe sewer extension project	Murang'a County Government	-The project will increase sewer connections hence increased revenues.	47,400,000
3	Kiawambeu augumentation water project	AWWDA proposal	The project will increase the production capacity per day hence more supply to the increasing population and demand.	151,014,295
4	Kayahwe-Maragua Ridge water project	AWWDA proposal	The project will increase supply to unserved areas.	194,882,732
5	Karichiungu water project	Aid on delivery applied	The project will increase supply to unserved areas.	89,645,989
6	Murag'a CBD Mukuyu and Mumbi overhaul	AWWDA proposal	The project will increase supply to unserved areas.	50,250,129
7	Lower Murang'a extensions	Aid on delivery applied	The project will increase supply to unserved areas.	167,835,125
8	New Murang'a Municipality B/Water	Development partner	The project will increase supply to unserved areas.	2,069,634,659
9	New Murang'a Municipality sewerage	Development partner	The project will increase sewer connections hence increased revenues.	1,667,652,183

**SECTION D**

**MAJOR RISKS FACING THE ENTITY**

**Operation risks**

The Company inherited old dilapidated infrastructure, and this has contributed to high Non Revenue Water. Over the years, the company has invested in various projects to improve the infrastructure. The funds required to overhaul the whole network is beyond company affordability and various proposals have been made to mobilize funds through Public Private Partnership (PPP)

**Market Risks**

The company has an outstanding loan from Sidian Bank. The principal outstanding amount is Ksh 385,375 as at 30<sup>th</sup> June 2021 with an interest rate of 14% per annum.

# MURANG'A WATER AND SANITATION COMPANY LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021

### **Credit Risks**

The company supplies water on credit and gives the consumers a period of 14 days to clear their bills. Not all consumers are able to clear their bills within the credit period given and this give rise to credit risk. At the end of the year, the trade debtors amounted to Ksh 74,866,326 and the highest percentage was owed by the Government institutions and the default risk is assessed as low. The company provides allowance for credit risk against the outstanding specific water and sewerage debts and a general provision of 10% of the net balance.

### **Liquidity Risk**

The company has various obligation and liabilities as outlined in note 21,23 and 24 of the accounts. The company manages liquidity risks by maintaining banking facilities through continuous monitoring of forecast and actual cash flow.

## **SECTION E**

### **Material arrears in statutory/financial obligations**

The company has accumulated administrative fees owed to Tana Water Works Development Agency Amounting to Kshs 49,458,717. Other trade creditors amounted to Ksh. 54,659,689

## **SECTION F**

### **The entity's financial probity and serious governance issues**

The Company has no any financial improbity and it observes the guidelines issued by Water Services Regulatory Board on corporate governance and has complied with the guidelines with no any case of conflict of interest among the Board or Member of the Board and top management.

# MURANG'A WATER AND SANITATION COMPANY LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021

### **IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

Murang'a Water and Sanitation Company Ltd (MUWASCO) continues committing to upholding ethical standards while executing her mandate and contributing towards improved economic and social development of life of society at large. Muwasco is inherently mandated to be socially responsible, to act and operate as a good corporate citizen. The Governing Board recognize and perform the obligations Muwasco has towards the National Government, the County Government of Murang'a- its major stakeholder, as well as other stakeholders, and the community in which we operate. Upholding our corporate reputation has been our subtle guide towards delivering our strategy, delivering adequate clean water and sanitation services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

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

Muwasco has continued to operate within set regulatory framework while executing her mandate. Through strategic planning and time to time reviews, we have continued to indentify and address risks and opportunities; an exercise that has gradually improved our performance nationally. Our Strategic plan that runs from 2021-2025 has been guided by our mission which is to provide water and sanitation services in an efficient and sustainable manner envisioning to becoming a world-class water and sanitation service provider that exceeds customers' expectations now and in the future.

To achieve our mission, Muwasco will be guided by our core values of:

- a) Customer focus
- b) Integrity – ethical conduct
- c) Teamwork and cohesion among staff
- d) Networking and collaboration with external stakeholders
- e) Commitment to duty and professionalism
- f) Equity
- g) Transparency and accountability

#### **ii) Environmental performance**

Over years, our environmental conservation programs have remained core towards achieving 10% forest cover as earlier directed by President Uhuru Kenyatta. In order to achieve concerted enhanced environmental conservation results, we have resolved to maintain a tree nursery in our sewerage treatment plant with a capacity of twenty thousand seedlings. We shall partner with public and private institutions to mark planting events and enhance the plant cover. We endeavour to campaign for reduced waste generation, facilitate repair, reuse and recycling over the disposal of wastes in a cost effective manner in order to minimise harm to human health and the environment.

#### **iii) Employee welfare**

The company has human resource policy and manual which guides hiring processes. So as to improve skills, the company sets a budget for training in every year and pays the training fees for the trainings that arise. The departmental heads and section heads appraise the staffs quarterly and the appraisals are used to reward the staffs.

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

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

The organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors.

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

Development of a strong relationship with suppliers helps in ensuring that suppliers of essential supplies and contracts are fair and business conducted together are mutually beneficial. We have supplier strategy, supply chain policy and code of conduct that set out the standards we expect

# MURANG'A WATER AND SANITATION COMPANY LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021

from suppliers business ethics, human rights and environmental management. The company at all times obtains value for money spent on procurement by ensuring that only those items needed are bought that these items are of good quality and that they are stored appropriately to preserve their quality.

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

Our commitment to regulations, directives and laws on marketing and advertisement practises has been harnessed to the latter. Indeed we continue placing advertisements and marketing information on the government accredited newspaper "MY GOV" as directed in a memo from the department of Civil Service in 2017. All information forwarded for such purposes is usually thoroughly screened in order to meet the required standard.

### **d) Product stewardship**

Product Stewardship is Everybody's Responsibility. To fulfil management and employee commitments to our customers and suppliers, we will:

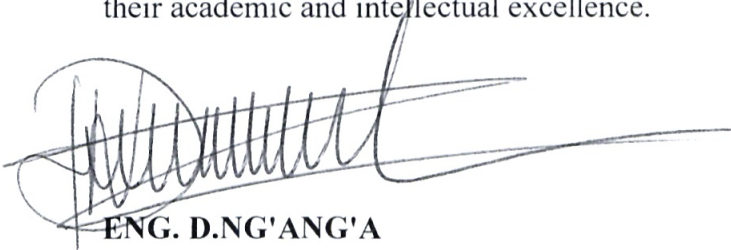
- a) Meet all of our regulatory requirements;
- b) adhere to data protection and privacy guidelines.
- c) Work to minimize the environmental, health and safety risks associated with our products.
- d) Train employees in the company's Product Stewardship process.
- e) Respond to customer questions concerning the safe use and handling of our products
- f) Use responsible distributors, suppliers, warehouses and carriers; and
- g) Respond back to customers on water quality measures and effects .

We expect our customers and suppliers to be good product stewards, to operate in a safe and responsible manner and to:

- a) Meet all of their regulatory requirements;
- b) Provide their employees, suppliers and customers with appropriate health and safety information;
- c) Use our water services as intended;
- d) Have appropriate equipment and qualified, trained personnel to safely receive, store, process and dispose of products;
- e) Request additional information when needed.
- f) Use responsible distributors, suppliers, warehouses and carriers.

### **Corporate Social Responsibility / Community Engagements**

Our pro-poor connection policy has continued changing lives and livelihoods. This year ,we have connected over 100 needy water connections through our rural poor program (RPP). Indeed we joined Can do Kids international and mission 58 international who have been partnering with us in enhancing our last mile connectivity initiatives. Last financial year, we offered full sponsorship of high school education to three needy students within our area of supply who had excelled academically. The students who benefitted from full payment of their fees had attained over 370 marks. We continue monitoring their performance in order to enhance their resolute vision towards their academic and intellectual excellence.



**ENG. D.NG'ANG'A**

**MANAGING DIRECTOR**

**MURANG'A WATER AND SANITATION COMPANY LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**X. BOARD OF DIRECTORS REPORT**

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The Board of Directors has the pleasure in submitting their annual Report and Financial Statements for the period ended 30<sup>th</sup> June 2021.

**PRINCIPAL ACTIVITY**

The company's main activity is the provision of wholesome clean water and sanitation services to the residents of Murang'a town and its environs.

**INCOME**

The results of activities for the year show a surplus of **Kshs 22,826,332** as set out on page twenty three of the accounts.

**DIVIDEND**

The directors do not recommend the payment of a dividend. This is in line with section 131(3) of water Act 2016

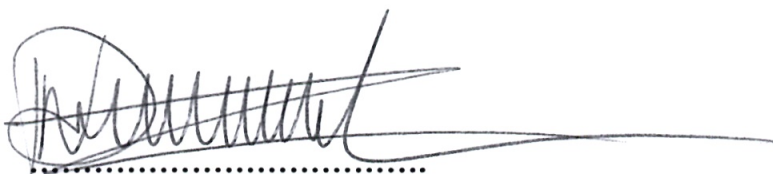
**THE BOARD OF DIRECTORS**

The board members who held office during the year were as indicated on pages four ,five and six of the accounts.

**AUDITORS**

The auditor general is responsible for the statutory audit of the company's financial statements in accordance with Article 229 of the constitution of Kenya and the Public Audit Act 2015

By order of the Board



**ENG. D. NG'ANG'A  
MANAGING DIRECTOR**

**MURANG'A WATER AND SANITATION COMPANY LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**XI. STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and section 147 of the Companies Act Cap 486 requires the Board of Directors to prepare financial statements for each year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the results of the activities for that year. It also requires the Board to ensure that the Company maintains proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Board is also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the company'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 ended on 30<sup>th</sup> June 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'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 Companies Act. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2021, and of the company's 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's financial statements as well as the adequacy of the systems of internal financial control.

**Approval of the financial statements**

The company's financial statements were approved by the Board on 29<sup>th</sup> September 2021 and signed on its behalf by:

SIGNED: \_\_\_\_\_

*for*  
**DR. P.K MUNGA  
CHAIRMAN**

  
\_\_\_\_\_  
**ENG. D.NG'ANG'A  
MANAGING DIRECTOR**

# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON MURANG'A 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 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 Murang'a Water and Sanitation Company Limited set out on pages 28 to 53, 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 flow 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 Murang'a Water and Sanitation Company Limited as at 30 June, 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 Public Finance Management Act, 2012, the Companies Act, 2015 and the Water Act, 2016.

### Basis for Qualified Opinion

#### 1. Long Outstanding Receivables

The statement of financial position reflects receivables balance of Kshs.110,159,302 which, as disclosed in Note 15 to the financial statements, includes trade receivables amount of Kshs.65,430,842. However, the trade receivables balance includes an amount of Kshs.49,202,193 in respect to debts which, as reported in the previous year, had been outstanding from 2019/2020 financial year and earlier periods. Further, included in the receivables balance of Kshs.110,159,302 is other receivables amount of Kshs.43,854,138 of which Value Added Tax (VAT) totaling to Kshs.23,838,556 had been outstanding since the year 2018.

In the circumstances, the accuracy of the reported receivables balance and the validity and recoverability of the long outstanding receivables amounting to Kshs.73,040,749 could not be confirmed.

#### 2. Trade and Other Payables

##### 2.1. Long Outstanding Payables

The statement of financial position reflects trade and other payables balance of Kshs.135,748,849 which, as disclosed in Note 23 to financial statements, includes accrued bills amount of Kshs.59,374,973. However, this latter amount includes levies totaling to Kshs.49,458,717 relating to the period between February, 2017 and July, 2018 and owed to a national water service board. Further, the trade and other payables balance

includes provision for audit fees totaling to Kshs.1,812,500 relating to 2019/2020 and earlier financial years. In addition, the Company continued to classify the unpaid amounts for the financial year 2019/2020 and earlier years under current liabilities.

In the circumstances, the accuracy of the reported trade and other payables balance and the validity of the long outstanding payables could not be confirmed. Further, the Company may end up paying increased amounts due to litigations, fines, penalties and interests.

## **2.2. Irregular Borrowing from Customers' Deposits Account**

As disclosed in Note 23 to the financial statements, the trade and other payables balance of Kshs.135,748,849 includes customer deposits amount of Kshs.30,917,275 which, as reported in the previous year, differs with the balance of Kshs.1,298,459 held in the Customers' Deposits Bank Account by a variance of Kshs.29,618,816. The customers' deposits were borrowed by the Company without a clear guideline or policy indicating utilization and how the amount would be refunded to the customers' account.

In the circumstances, the borrowing of Kshs.29,618,816 from the customers' deposits account was irregular.

## **3. Misclassified and Unexplained Investments**

The statement of financial position reflects investment in subsidiary balance of Kshs.20,488,369. However, although the investment has remained unrealized for long, it is classified as a current asset, contrary to paragraph 66(c) of the International Accounting Standards 1 - Presentation of Financial Statements, which requires an entity to classify an asset as current when it expects to realise the asset within twelve months after the reporting period and all other assets as non-current. In addition, the nature of the investment is not disclosed by way of explanation in a note.

In the circumstances, the accuracy, existence and ownership of the reported investments balance could not be confirmed.

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

### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects budgeted income of Kshs.269,704,974 and actual income of Kshs.218,675,962, resulting to underfunding of Kshs.51,029,012 or 19% of the budget. Similarly, the statement reflects budgeted capital expenditure and actual capital expenditure of Kshs.138,221,389 and Kshs.43,338,331 respectively, resulting to under expenditure of Kshs.94,883,058 or 69% which is erroneously shown as 345%.

The underfunding and under expenditure affected the planned activities and may have impacted negatively on service delivery to the public

### **2. Unresolved Prior Year Matters**

The progress on follow up of auditor recommendations section of the financial statements reflects that most of the issues raised in the previous year's audit report remained unresolved as at 30 June, 2021. No satisfactory explanations were provided for not resolving the issues.

## **Other Information**

The Directors are responsible for the other information, which comprises the Chairman's Statement, Report of the Managing Director, Review of the Company's Performance for financial year 2020/2021 against the Predetermined Objectives, 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 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 the Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Non-Compliance with the Law on Staff Ethnic Composition**

As previously reported, the Company had a hundred and thirty-four (134) staff out of which one hundred and twenty-four (124) or 93% of the staff members were from the

*Report of the Auditor-General on Murang'a Water and Sanitation Company Limited for the year ended 30 June, 2021*

dominant ethnic community. Further, the Board of Directors of the Company consisted of nine (9) members who all belonged to the dominant ethnic community. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which require all public offices to seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community.

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

## **2. Non-Compliance with Third Rule on Salary Deductions**

During the year, the Company had staff members earning less than a third (1/3) of their basic salary after deductions, contrary to Section 19(3) of the Employment Act, 2007 which stipulates that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages

In the circumstance, the Company was in breach of the law.

## **3. Personnel Costs in Excess of Recommended Limit**

The statement of profit or loss and other comprehensive income reflects personnel emoluments of Kshs.118,265,096, representing 46% of the total expenditure of Kshs.235,420,437 for the year ended 30 June, 2021. However, as previously reported, this is higher than the recommended limit of 35% provided by Section 3.9(10) of the Water Services Regulatory Board (WASREB) Corporate Governance Guidelines, 2018.

In the circumstance, the Management was in breach of the laid down guidelines.

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.

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 control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (Accrual Basis) 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 its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the 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 financial reporting process, reviewing the effectiveness of how the Company 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 noncompliance. 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 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 or to sustain its services. 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 or to sustain its services.
- 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**

**15 July, 2022**

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

<b>INCOME</b>	<b>NOTES</b>	<b>2020/2021 ( Kshs)</b>	<b>2019/2020 ( Kshs)</b>
Revenue Grants	5	39,570,807	12,236,565
Billings	6	213,571,944	195,691,168
Other incomes	7	5,104,018	5,768,933
		<b>258,246,769</b>	<b>213,696,666</b>
<b>EXPENDITURE</b>			
Personal emoluments	8	118,265,096	100,227,388
Administration expenses	9	47,403,828	42,526,743
Production and maintenance expenses	10	39,446,659	26,691,559
General office expenses	11	5,027,726	6,004,447
Depreciation and amortization	13 and 14	23,023,785	20,488,074
Disallowed VAT receivable	12	1,868,661	-
Finance cost	21	384,682	734,767
		<b>235,420,437</b>	<b>196,672,978</b>
SUPRLUS FROM OPERATING ACTITIES		22,826,332	17,023,688
TAX		-	-
<b>TOTAL SUPLUS</b>		<b>22,826,332</b>	<b>17,023,688</b>


**MURANG'A WATER AND SANITATION COMPANY LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

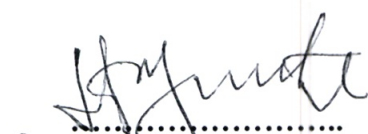
**XIV. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2021**

<b>ASSETS</b>	<b>NOTES</b>	<b>2020/2021 Kshs</b>	<b>2019/2020 Kshs</b>
<b>Non Current Assets</b>			
Property, plant and Equipment	13	278,057,365	241,749,363
Intangible assets	14	114,688	143,360
<b>Total Non-Current Asset</b>		<b>278,172,053</b>	<b>241,892,723</b>
<b>Current Assets</b>			
Receivables	15	110,159,302	109,188,776
Cash and cash equivalent	16A	9,496,401	1,358,670
Inventory	17	15,713,418	10,553,287
Investment in subsidiary	18	20,488,369	20,488,369
<b>Total Current Assets</b>		<b>155,857,490</b>	<b>141,589,102</b>
<b>TOTAL ASSETS</b>		<b>434,029,543</b>	<b>383,481,825</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital And Reserves</b>			
Capital Reserves	19	33,275,181	33,275,181
Revenue Reserves	20	143,340,770	120,514,438
<b>Total Capital and reserves</b>		<b>176,615,951</b>	<b>153,789,619</b>
<b>Non-Current Liabilities</b>			
Deferred income	22	109,051,761	95,707,947
<b>Total Non-Current Liabilities</b>		<b>109,051,761</b>	<b>95,707,947</b>
<b>Current Liabilities</b>			
Trade and other payables	23	135,748,849	120,623,621
Loan principal payable	21	385,375	3,657,201
Interest on loan	21	250,635	56,123
Tax payable	24	2,338,901	2,510,040
Deferred income	22	9,638,071	7,089,440
Overdraft	16B	-	47,833
<b>Total Current Liabilities</b>		<b>148,361,831</b>	<b>133,984,258</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>434,029,543</b>	<b>383,481,825</b>

The financial statements on pages 28-55 were approved by the board of directors on 29/09/2021 and were signed on its behalf by:

  
.....  
**ENG.D. NG'ANG'A**  
**MANAGING DIRECTOR**

  
.....  
**C.P.A JOSEPH MAINA**  
**COOMMERCIAL MANAGER**  
**ICPAK M/NO.8581**

  
.....  
**DR P.K MUNGA**  
**CHAIRMAN**

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**XV.STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

	NOTES	CAPITAL RESERVES (Kshs)	REVENUE RESERVES ( Kshs)	TOTALS ( Kshs)
Balance at 1 <sup>st</sup> July 2019		33,275,181	103,490,750	136,765,931
Surplus for the year	20	-	17,023,688	17,023,688
<b>Balance at 30<sup>th</sup> June 2020</b>		<b>33,275,181</b>	<b>120,514,438</b>	<b>153,789,619</b>
<b>Balance at 1<sup>st</sup> July 2020</b>		<b>33,275,181</b>	<b>120,514,438</b>	<b>153,789,619</b>
Surplus for the year	20	-	22,826,332	22,826,332
<b>Balance at 30<sup>th</sup> June 2021</b>		<b>33,275,181</b>	<b>143,340,770</b>	<b>176,615,951</b>

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**XVI. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

		<b>2020/2021</b>	<b>2019/2020</b>
		<b>(Kshs)</b>	<b>(Kshs)</b>
<b>Cash Flows from operating activities</b>	<b>Notes</b>		
Surplus generated from operating activities	20	22,826,332	17,023,688
<b>Adjustment for: Non cash items</b>			
Depreciation and amortisation	13,14	23,023,785	20,488,074
Amortisation of capital grants	5,22	(8,509,702)	(8,846,165)
Provision for bad debts	9	589,648	2,167,184
<b>Adjusted Surplus From operating Activities</b>			
<b>Before Working Capital changes</b>		<b>37,930,063</b>	<b>30,832,781</b>
<b>Changes in working capital</b>			
(Increase)/(Decrease) in inventory	17	(5,160,131)	(3,197,188)
(Increase)/(Decrease) in receivables	15	(1,560,174)	(23,870,604)
Increase /(Decrease) in short term liabilities	16B,21,23,24	11,828,941	12,173,559
(Increase)/(Decrease) in long term liabilities	21	-	(2,959,729)
<b>Net cash flows From Operating Activities</b>		<b>43,038,699</b>	<b>12,978,819</b>
<b>Cash flows from Investing Activities</b>			
Purchase of P.P.E and Intangible asset	13 ,14	(59,303,115)	(12,511,042)
Disposal of motor vehicle			162,774
<b>Net Cash flows from investing activities</b>		<b>(59,303,115)</b>	<b>(12,348,268)</b>
<b>Cash flows from Financing Activities</b>			
Deferred income	22	24,402,147	-
<b>Net Cash flows from Financing Activities</b>		<b>24,402,147</b>	<b>-</b>
Net Decrease/increase in cash & cash equivalents		8,137,731	630,553
Cash and Cash equivalent at start of year		1,358,670	728,117
<b>Cash and Cash equivalents at end of year</b>	16A	<b>9,496,401</b>	<b>1,358,670</b>

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2021**

	Actual	Initial Budget	budget reviews	reviewed budget	Variance	Variance (%)	Explanation of material variances
<b>INCOME</b>	K.Shs	K.Shs	K.Shs	K.Shs	K.Shs	(%)	
Water billings	156,640,685	186,996,212	-	186,996,212	30,355,527	16	Reduced revenue on big consumers eg schools due to covid 19 pandemic
Sewer billings	37,397,277	49,461,762	-	49,461,762	12,064,485	24	Reduced revenue on big consumers eg schools due to covid 19 pandemic
meter rent	8,769,350	8,247,000	-	8,247,000	(522,350)	(6)	
Other billings/incomes	15,868,650	25,000,000	-	25,000,000	9,131,350	37	Decreased revenues due to covid 19 pandemic eg reconnection fees, water bowser revenues
<b>TOTAL INCOMES</b>	<b>218,675,962</b>	<b>269,704,974</b>	<b>-</b>	<b>269,704,974</b>	<b>51,029,012</b>	<b>19</b>	
<b>EXPENSES</b>							
Salaries	93,363,394	86,126,716	5,500,000	91,626,716	(1,736,678)	(2)	
Casual wage	87,120	1,180,080	-	1,180,080	1,092,960	93	engagement of attachees
Leave allowance	2,925,726	3,148,860	500,000	3,648,860	723,134	20	No salary increment in the year
N.S.S.F co. contribution	292,600	288,000	-	288,000	(4,600)	(2)	
Pension	3,897,629	3,815,364	300,000	4,115,364	217,735	5	
staff medical insurance	10,500,278	12,000,000	(1,500,000)	10,500,000	(278)	(0)	
Training	1,741,719	1,502,000	-	1,502,000	(239,719)	(16)	More section heads staff enrolled for masters
Gratuity expense	4,004,929	4,307,351	-	4,307,351	302,422	7	
Subsistence allowances	6,222,553	8,701,360	(1,500,000)	7,201,360	978,807	14	No wasca games due to covid 19 pandemic
Telephone, e-mail, & mobile phone services	2,297,782	2,808,000	(500,000)	2,308,000	10,218	0	
Courier & postal services	18,910	63,600		63,600	44,690	70	use of emails
Travel costs	449,290	300,000	150,000	450,000	710	0	
Newspapers, magazines periodicals	34,271	150,720	-	150,720	116,449	77	Reduced supply when user departments are away

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

Advertising	591,250	3,320,000	(1,500,000)	1,820,000	1,228,750	68	AGM not held in the year hence no advertisement for the same
Water abstraction fee-WARMA	548,540	600,000	-	600,000	51,460	9	
Catering services	110,882	360,000	-	360,000	249,118	69	catering services withdrawn in March 2020
Directors expenses meetings, conferences & seminars	2,807,988	3,828,630		3,828,630	1,020,642	27	No board tour during the year
Insurances	1,632,637	2,000,000	-	2,000,000	367,363	18	fewer meetings held due to covid 19 pandemic
General office supplies	3,622,455	3,965,000	-	3,965,000	342,545	9	Not all budgeted assets were procured
Contracted guards services	1,355,790	1,248,000	100,000	1,348,000	(7,790)	(1)	
Membership and subscriptions	233,900	518,000	-	518,000	284,100	55	Not all staffs have registered in their professional bodies
Legal dues/fees	12,961,780	1,500,000	12,000,000	13,500,000	538,220	4	
Licences and permits	100,000	400,000	-	400,000	300,000	75	Less revenue earned than budgeted thus less kebs levy
Maintenance expenses- motor vehicles & cycles	10,500,553	8,568,000	-	8,568,000	(1,932,553)	(23)	Increased fuel prices
Chemicals & reagents	5,289,141	5,602,050	-	5,602,050	312,909	6	
Electricity	1,929,274	3,600,000	(1,500,000)	2,100,000	170,726	8	
Staff uniforms	1,371,000	1,155,000	500,000	1,655,000	284,000	17	There was need to procure PPEs
Operation and maintenance	31,679,704	21,695,000	5,000,000	26,695,000	(4,984,704)	(19)	There was a need to do maintenance on water tanks
WASREB levy	2,092,947	7,788,199	(5,000,000)	2,788,199	695,252	25	less revenue than budgeted
Bank service commission & charges	109,289	261,000	-	261,000	151,711	58	use of internet banking
Professional services	2,618,219	7,112,500	(3,000,000)	4,112,500	1,494,281	36	ISO certification expenses not incurred
Sundry expenses and donations	6,300	410,000	-	410,000	403,700	98	rescheduled school calender thus school fees donations were not paid during the year
<b>Total expenditure</b>	<b>206,011,705</b>	<b>201,323,430</b>	<b>8,050,000</b>	<b>209,373,430</b>	<b>3,387,156</b>	<b>2</b>	
<b>Surplus for the period</b>	<b>12,664,257</b>	<b>68,381,544</b>	<b>(8,050,000)</b>	<b>60,331,544</b>	<b>47,641,856</b>	<b>17</b>	

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

<b>RECONCILIATION: ITEMS NOT IN THE BUDGET</b>							
Depreciation	(23,023,785)						
Provision for bad debts	(589,648)						
Amortization	8,509,702						
Finance cost	(384,682)						
revenue grants	27,867,685						
Minimum tax	(348,536)						
Disallowed VAT receivable	(1,868,661)						
<b>Profit before taxation</b>	<b>22,826,332</b>						
<b>CAPITAL EXPENDITURE</b>							
Water and sewer network	25,857,107	21,100,000		21,100,000	(4,757,107)	(23)	Donations
meters and accessories	11,234,052	10,944,400	2,500,000	13,444,400	2,210,348	16	depends with no.of new connection
furniture and fittings and equipments	1,110,860	300,000	450,000	750,000	(360,860)	(48)	Need to replace the broken office chairs
motor vehicle & cycles	1,475,080	3,531,000	(1,000,000)	2,531,000	1,055,920	42	financial constraints
computers and computer networking	769,900	1,850,000		1,850,000	1,080,100	58	Financial constraints
NRW management equipments	-	1,000,000		1,000,000	1,000,000	100	financial constraints
karichiungu-kiharu raw water project	-	89,645,989	-	89,645,989	89,645,989	100	project not started
solar panel	-	3,000,000	(3,000,000)	-	-	(100)	financial constraints
call centre	-	-	3,000,000	3,000,000	3,000,000	100	financial constraints
Laboratory	-	-	2,000,000	2,000,000	2,000,000	100	financial constraints
buildings	2,891,332	-	2,900,000	2,900,000	8,668	0	There was a need to build a customer care office
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>43,338,331</b>	<b>131,371,389</b>	<b>6,850,000</b>	<b>138,221,389</b>	<b>94,883,058</b>	<b>345</b>	

**Explanation of variances is on +/- 10%. During the year there was a review of budget due to reallocations.**

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**XVIII. NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

Murang'a Water and Sanitation Company Limited is established by and derives its authority and accountability from Company's Act. It is a limited company by guarantee and licensed by Tana water services board through service provision agreement signed on 2<sup>nd</sup> May 2006 and revised on 4<sup>th</sup> May 2012. The principal activity of the company is to provide water and sanitation services within Murang'a town and its environs.

**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 judgment in the process of applying the entity's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4b,4c,4d,4l

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, the State Corporations Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

(i) New and amended standards and interpretations in issue effective in the year ended 30<sup>th</sup> June 2021

Of those new standards and amendments none has an effect on the financial statements.

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**NOTES TO THE FINANCIAL STATEMENTS(continued)**

New and Amendments to standards	Effective for annual period
IAS 1 — Presentation of Financial Statements	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 16 — Property, Plant and Equipment	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 37 — Provisions, Contingent Liabilities and Contingent Assets	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30<sup>th</sup> June 2021.

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

(c) Early adoption

The company did not early adopt any new or amended standards in financial year 2020-2021

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Revenue Recognition**

The company adopts the accrual basis of accounting for revenue. Revenue is recognized when it is earned. Revenue grants comprise of:

(i) Salaries of the seconded staff paid by Murang'a County Government

(ii) Amortization of capital grants is from Murang'a county government, Ministry of water & sanitation, Kiharu constituency development fund, Tana Water Works Development Agency, Water sector Trust Fund and Athi Water Works Development Agency.

(iii) Billings represents the amount earned from the billings of water, sewer and meter rent. Other billings include miscellaneous billings like water theft penalties, search fee, relocation of meter. Other incomes include water and sewer connection fees, unmetered water sales and surcharges.

**b. Property ,Plant and Equipment**

Property plant and equipment are stated at historical cost less accumulated depreciation.

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**NOTES TO THE FINANCIAL STATEMENTS(continued)**

**c. Depreciation, impairment and amortization of Property, plant and Equipment**

Depreciation and amortization is calculated on the reducing balance basis to write down the cost of each asset to its residual value over its estimated useful life as follows:

<b>Per Annum</b>	<b>RATE</b>
	<b>%</b>
-Buildings	2.5
-Motor Vehicles	25
-Computers and Photocopiers	30
-Pipes	2.5
-Equipments and Tools	12.5
-Computer software	20

Depreciation and amortization is provided for the full year irrespective of the month of purchase but no depreciation charged to works in progress and in the year of disposal.

Amortization is provided for the intangible assets like computer software.

**d. Reserves**

Reserves of the company comprise revenue reserves which represents the excess of the income over recurrent expenditure.

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

The Water Act 2016 and the Company's Articles of Association prohibit distribution of reserves to members and reserves are supposed to be ploughed back to the system in accordance with the Water Act.

G.O.K capital grants relates to grants from Tana and Athi Water Works Development Agencies. The grants are treated as deferred income. Amortization on these grants is calculated on reducing balance basis on cost over the life of the asset.

**e. Retirement benefits**

The company and employees contribute to Local Authority Provident Fund (LAPF) a statutory pension scheme, CPF financial services & Barclays Securities services which is a National water conservation & pipeline corporation staff Superannuation Scheme.

The company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are by the requirements of local statute and are currently limited to Ksh.200 per employee per month. The company's contributions to the above schemes are charged to profit or loss in the year to which they relate. Gratuity is provided for at 31% of basic salary.

**f. Taxation**

The company water services are zero rated for V.A.T and the company pays income tax at the rate of 30%.

**g. Related party transactions**

Funds received from the government are disclosed under note 22. The company is headed by the Board of directors and corporate management team. Gratuity expense on corporate management team is based on 31% of the basic salaries. At the end of financial year the related party transactions were as per note 25.

**MURANG'A WATER AND SANITATION COMPANY LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**NOTES TO THE FINANCIAL STATEMENTS(continued)**

**h. Inventory**

The company recognizes inventory at the lower of cost and net realizable value using first in first out method of inventory valuation.

**i. Cash and Cash Equivalent**

Cash and cash equivalents include cash on hand and cash at bank. Bank account balances include amount held at Equity bank, Family Bank, Cooperative Bank and Mpesa at the end of financial year.

**j. Trade and other Payables**

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

**k. Financial risk management**

The board of directors is the primary risk supervisor, exercising its role through various board approved committees. The company's internal audit section plays a vital role within governance processes by keeping the Board and senior management aware of risk and control issues and assessing the effectiveness of risk management. Reporting to the Audit and risk management committee of the Board, the section objectively and independently evaluates the existing risk and control framework and analyses department's processes and associated controls.

**l. Provision for doubtful debts**

At the end of financial year the trade debtors amounted to Ksh.70,324,023 and the highest percentage was owed by the Government institutions and the default risk is assessed as low.

The company provides allowance for doubtful debts against outstanding specific water and sewerage debts. During the year specific provision was made amounting to Kshs 2,014,926 and a general provision of 10% on net balance of Ksh.6,830,910 making a total provision of Ksh 8,845,836.

**m. Liquidity risk management**

The company has various obligations and liabilities as outlined in note 21,23 and 24 of the accounts.

The company manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flow.

	Less than 1 month	Between 1-2 months	Between 2-3 months	Over 3 months	Total
At 30 June 2021 Current liabilities(Kshs)	48,586,971	5,338,624	337,085	84,461,080	138,723,760
At 30 June 2020 Current liabilities(Kshs)	10,398,305	4,885,753	2,425,684	109,137,243	126,846,985

**n. Market risk**

The company had interest bearing financial obligation as at the end of financial year from Sidian bank and there was no significant currency risk as no foreign transaction ensued during the year.

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**NOTES TO THE FINANCIAL STATEMENTS(continued)**

**o. Comparative figures**

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

**p. Significant judgments and sources of estimation**

The directors are responsible for selecting and disclosure of the company's critical accounting policies and estimates and the application of these policies and estimates.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liability within the next financial year are.

**q. Taxation**

Judgment is required in determining the tax liability due to the complexity of legislation. There are many transactions and calculations for which tax determination is uncertain during ordinary course of business. The company recognizes tax liability for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from amounts that were initially anticipated, such difference will impact the income tax in the period in which such determination is made.

**r. Useful lives and residual values of property plant and equipment**

The company tests annually whether the useful life and residue value were appropriate and in accordance with its accounting policy. Useful lives and residual values of PPE have been determined based on previous experience and anticipated disposal values when assets are disposed.

**s. Reporting currency**

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

**t. 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 30<sup>th</sup> June 2021.

**u. Budget information**

The budget for financial year 2020-2021 was approved by the board of directors on 24<sup>th</sup> June 2020.Both the financial statements and the budget are prepared on accrual basis. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget is presented in the statement of comparison of budget and actual amounts.

**v. Incorporation**

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

**w. Ultimate and holding entity**

The entity is a Semi-Autonomous Government Agency under the Ministry of Water,Sanitation and Irrigation.Its ultimate parent is Murang'a County Government.The entity has a wholly owned subsidiary, Fort Beverage Industries Limited.

**x. Trade and other receivables**

Trade and other receivables are recognised at fair values less allowances for credit risk. 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.

**MURANG'A WATER AND SANITATION COMPANY LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**NOTES TO THE FINANCIAL STATEMENTS(continued)**

**y. Borrowings**

Interest bearing loans are initially recorded at fair value being received, net of issue costs associated with the borrowing. Loan principal and interest accruing during the construction of a project is capitalised as part of the cost of the project. Interest accruing after completion of the project is recognized as finance cost.

**z. Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 15.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

The company provides provision for bad debts. A specific provision is provided on trade debtors that are more than five years old and their accounts are inactive. An additional general provision is provided using a rate of 10 % on the net debtors balance after deducting the specific provision.

**aa. Shareholding**

Murang'a water and sanitation company Ltd was incorporated under Companies Act Cap 486 and it's a company limited by guarantee and hence the company has no share capital. The company has a wholly owned subsidiary, Fort Beverage Industries Ltd (FBIL). Fort beverage Industries Ltd made a loss of Ksh. 8,160,506 for the year ended 30<sup>th</sup> June 2021.

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**NOTES TO THE FINANCIAL STATEMENTS(continued)**

**EXPLANATORY NOTES TO THE ACCOUNTS**

**5) GOK GRANTS**

**Accounting for Government grants**

The amount of government grants comprises both capital and recurrent expenditure. The grants have been recognized and accounted for as per IAS N0.20.

The following revenue grants have been recognized in the statement of comprehensive income.

<b><u>REVENUE GRANTS</u></b>	<b><u>2020/2021</u></b>	<b><u>2019/2020</u></b>
		<b>(Kshs)</b>
AMOTIZATION OF CAPITAL GRANTS	8,509,702	8,846,165
SALARIES PAID TO SECONDED STAFFS	3,193,420	3,390,400
CHEMICAL AND GENERAL OFFICE SUPPLY GRANTS	4,346,172	-
CLSG GRANTS	23,521,513	-
<b>TOTAL</b>	<b>39,570,807</b>	<b>12,236,565</b>
<b>6) <u>BILLINGS</u></b>		
WATER	156,640,685	137,350,513
SEWERAGE	37,397,277	35,709,950
METER RENT	8,769,350	8,125,950
OTHER BILLINGS	6,327,132	5,668,655
RE- CONNECTION FEES	4,437,500	8,836,100
<b>TOTAL</b>	<b>213,571,944</b>	<b>195,691,168</b>
<b>7) <u>OTHER INCOMES</u></b>		
WATER CONNECTION FEES	4,702,686	4,970,206
SEWER CONNECTION FEES	342,500	131,800
UNMETERED WATER SALES	47,500	12,000
SURCHARGES	11,332	46,150
GAIN ON DISPOSAL	-	607,226
INTEREST RECEIVED	-	1,551
<b>TOTALS</b>	<b>5,104,018</b>	<b>5,768,933</b>

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**NOTES TO THE FINANCIAL STATEMENTS(continued)**

<b>8) <u>PERSONEL EMOLUMENTS</u></b>	<b><u>2020/2021</u></b> <b>Kshs</b>	<b><u>2019/2020</u></b> <b>Ksh</b>
SALARIES	93,363,394	85,600,038
SALARIES (G.O.K GRANT)	3,193,420	3,390,400
LEAVE ALLOWANCES	2,925,726	2,963,841
NSSF COMPANY CONTRIBUTIONS	292,600	271,200
PENSION CONTRIBUTION	3,897,629	3,713,359
STAFF GRATUITY	4,004,929	3,793,370
CASUAL WAGES	87,120	495,180
STAFF MEDICAL COVER	10,500,278	-
<b>TOTAL PERSONAL EMOLUMENTS</b>	<b>118,265,096</b>	<b>100,227,388</b>
<b>9)ADMINISTRATION EXPENSES</b>		
TRAINING	1,741,719	1,348,853
ADVERTISING	591,250	2,372,753
B.O.D EXPENSES	2,807,988	3,519,874
MOTOR VEHICLE EXPENSES	10,500,553	7,713,737
CONSULTANCY/PROFESSIONAL FEES	2,355,719	1,050,746
SUNDRY AND DONATION EXPENSES	6,300	297,614
INSURANCES	1,632,637	1,230,103
MEMBERSHIP AND SUBSCRIPTIONS	233,900	297,091
COURIER & POSTAL SERVICES	18,910	36,790
COMMUNICATION AND INTERNET EXPENSES	2,297,782	2,535,503
LICENCES & PERMITS	100,000	3,096,778
CATERING SERVICES	110,882	325,947
CONTRACTED GUARDS SERVICES	1,355,790	1,253,862
WASREB LEVY	2,092,947	1,910,825
BANK SERVICE COMMISSION & CHARGES	109,289	178,954
LEGAL FEES	12,961,780	1,034,500
MEETING COSTS ,CONFERENCES & SEMINARS	613,855	2,179,381
TRAVEL COST	449,290	489,365
INCREASE FOR CREDIT RISK	589,648	2,167,184
SUBSISTENCE ALLOWANCES	6,222,553	8,892,383
AUDIT FEES	262,500	594,500
MINIMM TAX	348,536	-
<b>TOTAL</b>	<b>47,403,828</b>	<b>42,526,743</b>

**MURANG'A WATER AND SANITATION COMPANY LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

	<u>2020/2021</u> Kshs	<u>2019/2020</u> Kshs
<b>10) <u>PRODUCTION &amp; MAINTENANCE EXPENSES</u></b>		
ELECTRICITY	1,929,274	1,940,951
OPERATING AND MAINTENANCE COST	31,679,704	19,432,496
CHEMICALS	5,289,141	4,831,458
WATER ABSTRACTION FEE-WARMA	548,540	486,654
<b>TOTAL</b>	<b>39,446,659</b>	<b>26,691,559</b>
<b>11) <u>GENERAL OFFICE EXPENSES</u></b>		
STAFF UNIFORMS	1,371,000	2,957,120
GENERAL OFFICE SUPPLIES	3,622,455	2,948,467
NEWSPAPERS, MAGAZINES & PERIODICALS	34,271	98,860
<b>TOTAL</b>	<b>5,027,726</b>	<b>6,004,447</b>
<b>12) <u>DISALLOWED VAT RECEIVABLE</u></b>		
<b>CLAIM PERIOD</b>		
FEBRUARY 2018	686,925	-
MARCH 2018	526,318	-
APRIL 2018	655,418	-
<b>TOTAL</b>	<b>1,868,661</b>	<b>-</b>

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**NOTES TO THE FINANCIAL STATEMENTS(continued)**

**13) PROPERTY PLANT & EQUIPMENTS (KSHs)**

<u>COSTS</u>	1)Buildings ( Kshs)	2)pipes &fittings ( Kshs)	3)EQUIPMENTS ( Kshs)	4)motor vehicles & Cycles ( Kshs)	5)computers &computer networking ( Kshs)	TOTALS ( Kshs)
Cost as at 1 <sup>st</sup> July 2019	37,794,178	97,515,107	244,350,807	7,347,294	7,187,734	394,195,119
Additions during the year	-	8,365,789	2,998,253	-	1,147,000	12,511,042
Disposal of motor vehicle				(4,231,000)		(4,231,000)
<b>Total Cost As At 30<sup>th</sup> JUNE 2020</b>	<b>37,794,178</b>	<b>105,880,896</b>	<b>247,349,060</b>	<b>3,116,294</b>	<b>8,334,734</b>	<b>402,475,161</b>
Cost as at 1 <sup>st</sup> July 2020	37,794,178	105,880,896	247,349,060	3,116,294	8,334,734	402,475,161
Additions during the year	7,861,455	20,098,634	29,098,046	1,475,080	769,900	59,303,115
<b>Total Cost As At 30<sup>th</sup> JUNE 2021</b>	<b>45,655,633</b>	<b>125,979,531</b>	<b>276,447,105</b>	<b>4,591,374</b>	<b>9,104,634</b>	<b>461,778,277</b>
<b><u>DEPRECIATION</u></b>						
As at 1 <sup>st</sup> July 2019	5,659,887	9,296,488	117,290,075	6,178,910	5,916,430	144,341,790
Accumulated depreciation on disposed motor vehicle				(4,068,226)		(4,068,226)
charge for the year	803,357	2,414,610	16,257,373	251,402	725,491	20,452,234
<b>Accumulated depreciation As at 1<sup>st</sup> July 2020</b>	<b>6,463,244</b>	<b>11,711,098</b>	<b>133,547,448</b>	<b>2,362,087</b>	<b>6,641,921</b>	<b>160,725,798</b>
Charge for the year	979,810	2,856,711	17,862,457	557,322	738,814	22,995,113
<b>Total Accumulated Depreciation As At 30<sup>th</sup> June 2021</b>	<b>7,443,054</b>	<b>14,567,809</b>	<b>151,409,905</b>	<b>2,919,409</b>	<b>7,380,735</b>	<b>183,720,911</b>
<b><u>NET BOOK VALUE:</u></b>						
As at 30 <sup>th</sup> JUNE 2021	38,212,579	111,411,722	125,037,200	1,671,965	1,723,899	278,057,366
As at 30 <sup>th</sup> JUNE 2020	31,330,934	94,169,798	113,801,612	754,207	1,692,813	241,749,363

-Class 3 Equipment comprises of meters and meter accessories, office and lab equipments, furniture and fittings ,water pumps, air valves ,sluice valves, filter media, sewer and water networks .

-The company's buildings lies on government land but its yet to be transferred by Tana Water Works Development Agency to County Government Of Muranga. Also other assets and liabilities are yet to be transferred including the new treatment works in Kiawambeu developed through a loan from ADB worth ksh. 533 million. .

**NOTES TO THE FINANCIAL STATEMENTS(continued)**

**14) INTANGIBLE ASSETS (Ksh)**

**COST:**

Cost as at 1 <sup>st</sup> July 2019	350,000
Additions during the year	-
<b>Total cost as at 30<sup>th</sup> June 2020</b>	<b>350,000</b>
Cost as at 1 <sup>st</sup> July 2020	350,000
Additions during the year	-
<b>Total cost as at 30<sup>th</sup> June 2021</b>	<b>350,000</b>

**AMORTISATION:**

As at 1 <sup>st</sup> July 2019	170,800
Charge for the year	35,840
<b>Total accumulated amortization as at 30<sup>th</sup> June 2020</b>	<b>206,640</b>
As at 1 <sup>st</sup> July 2020	206,640
Charge for the year	28,672
<b>Total accumulated amortization as at 30<sup>th</sup> June 2020</b>	<b>235,312</b>

**NET BOOK VALUE:**

<b>As at 30<sup>th</sup> June 2021</b>	<b>114,688</b>
<b>As at 30<sup>th</sup> June 2020</b>	<b>143,360</b>

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS(continued)**

<b>15) RECEIVABLES</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>( Kshs)</b>	<b>( Kshs)</b>
Trade Receivables	74,866,326	70,324,023
Less provision for doubtful debts	(9,435,484)	(8,845,836)
<b>TOTAL TRADE RECEIVABLES</b>	<b>65,430,842</b>	<b>61,478,187</b>
Other receivables	43,854,138	43,826,562
Prepayment and deposits	874,322	3,884,027
Prepaid finance cost	-	-
<b>NET BOOK VALUE</b>	<b>110,159,302</b>	<b>109,188,776</b>

**16A) CASH & CASH EQUIVALENT**

The make-up of bank balances and short term deposits is as follows:

<b>Financial institution</b>	<b>Account number</b>		
<b>a) Current accounts</b>			
Equity bank	0220290765689	6,759,238	704,776
Family bank	06000015543	422,908	26,603
Cooperative bank	01141573530000	202,706	47,714
Sidian bank	01012020003971	462	-
Family bank(CLSG A/C)	006000031969	710,366	
<b>Sub- total</b>		<b>8,095,680</b>	<b>731,260</b>
<b>b) Deposit account</b>			
Equity bank	0220192975587	1,298,459	132,163
<b>Sub- total</b>		<b>1,298,459</b>	<b>132,163</b>
<b>Sub- total</b>			
<b>Others</b>			
<b>c) M-PESA</b>	898600	30,490	123,385
<b>d) Cash at hand</b>		71,772	324,029
<b>Sub- total</b>		<b>102,262</b>	<b>447,414</b>
<b>GRAND TOTAL</b>		<b>9,496,401</b>	<b>1,358,670</b>

**16B)CASH AND CASH EQUIVALENTS(OVERDRAFT)**

<b>Current account</b>			
<b>Sidian bank</b>	<b>01012020003971</b>	<b>-</b>	<b>47,833</b>

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**NOTES TO THE FINANCIAL STATEMENTS(continued)**

	<u>2020/2021</u>	<u>2019/2020</u>
	Kshs	Kshs
<b>17) <u>INVENTORY</u></b>		
Tools and Fittings	3,445,317	2,713,332
Chemicals	3,761,898	1,088,286
Pipes	4,479,575	2,237,290
Water Meters and Valves	3,633,012	4,098,673
Stationery and cleaning materials	393,616	415,706
<b>TOTAL</b>	<b>15,713,418</b>	<b>10,553,287</b>
<b>18) <u>INVESTMENT IN SUBSIDIARY</u></b>		
Brought forward	20,488,369	20,488,369
Additions	-	-
<b>Carried forward</b>	<b>20,488,369</b>	<b>20,488,369</b>
<b>19) <u>CAPITAL RESERVES</u></b>		
Brought forward	33,275,181	33,275,181
<b>Carried forward</b>	<b>33,275,181</b>	<b>33,275,181</b>
<b>20) <u>REVENUE RESERVES</u></b>		
Brought forward	120,514,438	103,490,750
Current period	22,826,332	17,023,688
<b>Carried forward</b>	<b>143,340,770</b>	<b>120,514,438</b>
<b>21) <u>LOAN INTEREST AND PRINCIPAL PAYABLE</u></b>		
During the year, the company had an outstanding interest bearing financial obligation from Sidian bank for Muchungucha water project .		
Interest payable b/f	56,123	(26,841)
Interest additions in the year	384,682	734,767
Interest paid during the year	(190,170)	(651,800)
<b>Interest payable c/f</b>	<b>250,635</b>	<b>56,123</b>

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

	<u>2020/2021</u>	<u>2019/2020</u>
	Ksh.	Ksh.
Loan principal payable b/f	3,657,201	6,907,611
Loan principal paid during the year	(3,271,826)	(3,250,410)
<b>Loan principal payable c/f</b>	<b>385,375</b>	<b>3,657,201</b>
<b>22) <u>DEFERRED INCOME</u></b>		
Brought Forward	102,797,387	111,643,552
Amortization on capital grants	(8,509,702)	(8,846,165)
CLSG capital grant	11,021,771	-
Muranga county government-pipes Mission 58-Kabuta-karemaini water extension project	6,017,000	-
Can do kids international-Karichiungu water tank	2,393,253	
	4,970,123	
<b>TOTALS</b>	<b>118,689,832</b>	<b>102,797,387</b>
Deferred Income amortizable within one yr	9,638,071	7,089,440
Deferred income amortizable after 1 yr	109,051,761	95,707,947
<b>Total Deferred Income c/f</b>	<b>118,689,832</b>	<b>102,797,387</b>
<b>23) <u>TRADE AND OTHER PAYABLES</u></b>		
Customers Prepayments	3,045,516	2,033,646
Suppliers creditors	33,951,755	29,164,141
Other creditors	5,678,797	4,692,480
Provision for audit fees	1,812,500	1,531,250
Accrued bills	59,374,973	57,538,816
Customer deposits	30,917,275	24,619,778
Gratuity payable	540,558	871,147
Withholding tax-V.A.T	318,005	150,622
Withholding TAX-Income tax	109,470	21,741
<b>TOTALS</b>	<b>135,748,849</b>	<b>120,623,621</b>

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**NOTES TO THE FINANCIAL STATEMENTS(continued)**

<b>24) <u>TAX PAYABLE</u></b>	<b><u>2020/2021</u></b>	<b><u>2019/2020</u></b>
	Ksh.	Ksh.
Tax Payable Balance B/F	2,510,040	2,510,040
Charge for the year		-
Paid(offset by VAT receivables allowed)	171,139	-
<b>TAX PAYABLE</b>	<b>2,338,901</b>	<b>2,510,040</b>

**25) RELATED PARTY DISCLOSURES**

The following are the related parties of the company

- (a) Ministry of Water and Sanitation
- (b) County Government of Murang'a
- (c) Tana Water Works Development Agency.
- (d) Key Management
- (e) Board of directors
- (f) Fort beverage Industries Ltd
- (g) Athi Water Works Development Agency.

**EXPENSES INCURRED ON BEHALF OF RELATED PARTIES**

	<b><u>2020/2021</u></b>	<b><u>2019/2020</u></b>
	Kshs	Kshs
B.O.D expenses	2,807,988	3,519,874
Management salaries and leave allowances	14,800,346	14,091,009
Management gratuity	4,004,929	3,793,370
<b>Total</b>	<b>21,613,263</b>	<b>21,404,253</b>

-During the year, Muranga water and sanitation company transferred funds amounting to ksh 2,200,000 from its bank account to its subsidiary company, Fort beverage bank account.

**26) CAPITAL COMMITMENTS**

The following capital commitments are expected to be incurred in the year 2021/2022

<b><u>NO</u></b>	<b><u>DETAILS</u></b>	<b><u>Kshs</u></b>
1	Meters and accessories	11,244,400
2	Water network and sewer network	21,110,000
3	Motor vehicle & cycles	7,531,000
4	Computer and computer networking	1,850,000
5	Equipments, Furniture and fittings	1,000,000
6	Non Revenue management and GIS Equipments	1,000,000
7	Karichiungu-Kiharu raw water project	89,645,989
8	Solar panel	3,000,000
	<b>TOTAL</b>	<b>136,381,389</b>

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**XIX. APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATION**

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1	Long outstanding receivables	During the last quarter of the financial year the company was faced with challenged of collecting debts due to outbreak of Covid 19 where the government gave direction that the water should be provided free for informal settlements and other consumers should not be disconnected due to non payment and this affected our collection efficiency resulting to growth of debts. For the individual customers we are following each and every old debts to ensure that it is settled or transferred to the active accounts where the customers have abandoned the old accounts due to debts.	Not resolved	June 2023
2	Unconfirmed payables	Customer deposits bank account is opened and operation in Equity Bank Account Number 0220192975587 .The utilization of the fund is authorized by the Board of Director spending of customer deposits is for minor investment through water extension. Initially the funds were idle in the bank account and the interest earned was minimal and the management thought of investing the deposits in fixed deposit account which also did not give much returns as expected. Through investment of the funds the company has been	Not resolved	June 2023

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		<p>able to extend water services to more consumers thus more coverage and this has contributed to increased revenue to the company. One of the interventions for increased revenue is extension project. The float approved by the Board is enough to cater for customers who may which to terminate their contract with the company. If the company could have borrowed the same in the market the cost could even be high and this could not be logical incurring costs which can be avoided.</p> <p>The company has been operating with non cost recovery tariffs which affected the liquidity of the company making it dependent on Government subsidies for its operations and supplier credits. Efforts were made to ensure that the company has cost recovery tariffs which were approved by the Water Services Regulatory Board and gazetted on 23rd May 2014; however the tariffs were not implemented immediately due to political interference. The same tariffs have expired and the new one approved by WASREB but the same is yet to be gazetted hence the challenges of settling the outstanding debts.</p>		
3	Advance payment for promotional handbook	The advertisement and promotion vote was budgeted for and approved by the board for a total amount of Ksh 1,020,000 and reviewed to Ksh 2,520,000 and the total amount spent was Ksh 2,372,753 hence the expenditure was within the approved budget. A copy of the handbook was provided.	Resolved	
4	Outstanding lease fees owed to Tana Water	since the company had made capital investment on behalf of TWSB valued Ksh 44 Millions, the management is pursuing the	Not resolved	June 2023

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	Services Board	same to be converted to equity capital. The amount is not accruing further as the current water Act of 2016 does not require the payment of administration fees.		
5	Non-compliance with ethnic diversity	The company was started when the National Cohesion and Integration Act was not in operation and the composition of employee was 100% from the dominant community in Murang'a however as management we have endeavored to comply with the National Cohesion and Integration Act of 2008 progressively and currently we have employees in the company who are members of other community and we intend to improve this over time.	Not resolved	June 2023
6	Non compliance with the WASREB regulations on personal costs	During the year under review the operation and maintenance expenditure were not optimal due to outbreak of Covid 19 pandemic. The government advised that the informal settlement should be supplied water free of charge while the other consumers should not be disconnected due to none payment as water was considered essential as to the fight against the pandemic. This resulted to reduced cash flows hence the scale down of operational expenses. The personnel cost as a share of operation and maintenance measures the economic efficiency as it measures how the personnel costs are proportionate to the overall operation and maintenance costs. It is affected by other factors as human resource guidelines and the collective bargaining agreements. The regulator had expanded the	Not resolved	June 2023

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		<p>service provision area to include Maragua and the staff under the scheme were absorbed by the company however later the Maragua scheme reverted back to Murang'a South but the staff were retained .We would like to inform you that during the year the company was not able to implement the cost recovery tariffs which also affected the operations and maintenance costs as the operations were not optimal, the company struggled to maintain the efficiency of services ensuring the services are not compromised. We as the management are committed to ensure the personnel costs are maintained within the industrial set benchmark.</p>		
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**ENG. D. NG'ANG'A**  
**MANAGING DIRECTOR**  
**29/09/2021**

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**XX. APPENDIX 2: INTER-ENTITY TRANSFERS**

<b>ENTITY NAME:</b>		<b>MURANG'A WATER AND SANITATION COMPANY</b>		
	<u>Type of grant</u>	<u>Description of grant</u>	<u>Amount(Ksh)</u>	<u>Fy</u>
1	<b>Transfer from Muranga County Government</b>			
	Revenue grant	Salaries paid to seconded staffs	3,193,420	FY 2020/2021
	Capital grants	HDPE pipes	6,017,000	FY 2020/2021
2	Funds transfers	Transfer of funds from Muwasco to its subsidiary FBIL	2,200,000	FY 2020/2021

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**XXI. APPENDIX 3: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES AND DONORS**

Name of the Donor Transferring the funds	Date received as per bank statement/period project completed	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance (Non current assets)	Statement of comprehensive income	Receivables	Others - must be specific	Total Transfers during the Year
Water Sector Trust Fund(Conditional liquidity support grant)	22/3/2021	Recurrent and short term projects	34,543,284	11,021,771	23,521,513	-	-	34,543,284
Mission 58	August 2020 to December 2020	Development (water network)	2,393,253	2,393,253	-	-	-	2,393,253
Can do kids	October 2020	Development (Water tank)	4,970,123	4,970,123	-	-	-	4,970,123
<b>Total</b>			<b>41,906,660</b>	<b>18,385,147</b>	<b>23,521,513</b>	-	-	<b>41,906,660</b>