

REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE, 2019**

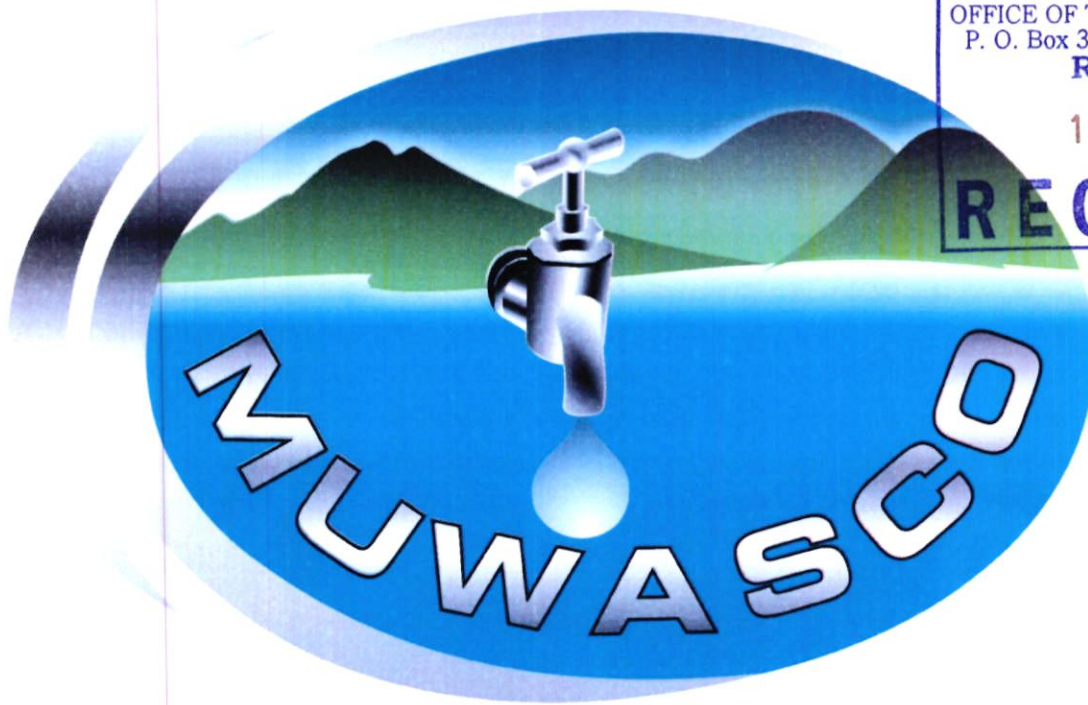
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OFFICE OF THE AUDITOR GENERAL
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MURANG'A WATER & SANITATION CO. LTD.

**ANNUAL REPORT &
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30TH JUNE 2019**

**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 30TH JUNE 2019**

TABLE OF CONTENTS	PAGE
I. CORPORATE INFORMATION	2-3
II. THE BOARD OF DIRECTORS	4-5
III. MANAGEMENT TEAM	6
IV. CHAIRMAN'S STATEMENT	7-8
V. MANAGING DIRECTOR'S STATEMENT	9-10
VI. CORPORATE GOVERNANCE STATEMENT	11-13
VII. MANAGEMENT DISCUSSION AND ANALYSIS	14-16
VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT	17
IX. BOARD OF DIRECTORS REPORT	18
X. STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES	19
XI. REPORT OF THE AUDITOR GENERAL	20-21
XII. STATEMENT OF COMPREHENSIVE INCOME	22
XIII. STATEMENT OF FINANCIAL POSITION	23
XIV. STATEMENT OF CHANGES IN EQUITY	24
XV. STATEMENT OF CASH FLOW	25
XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	26-27
XVII. NOTES TO FINANCIAL STATEMENTS	28-42
XVIII. APPENDIX 1: PROJECTS IMPLEMENTED BY THE ENTITY	43
XIX. APPENDIX 2: INTER-ENTITY TRANSFERS	43
XX. APPENDIX 3: PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS	44-46
XXI. APPENDIX 4: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES	47

MURANG'A WATER AND SANITATION COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

I. CORPORATE 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 2nd May 2006 and reviewed on 4th 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 world class water and sanitation service provider that exceeds customer's expectations now and in future.

Mission:

To provide affordable water and sanitation services in an effective, efficient and sustainable manner to all within the Muwasco's area of jurisdiction.

Core values:

1. Customer focus
2. Integrity
3. Teamwork
4. Commitment
5. Responsiveness
6. Equity

THE BOARD OF DIRECTORS

<u>NAME</u>	<u>DESIGNATION</u>
Dr. P. K. Munga	Chairman
Eng. D. Ng'ang'a	Managing Director
H. M. Mwithiga	Member
J. K. Mwirigi	Member
S. Karina	Member
M. Gichomo	Member
P. Kiguta	Member
E. Gathima	Member
B. Wanjeri	Member
P. Macharia	Member

COMPANY SECRETARY

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

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

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
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

II. THE BOARD OF DIRECTORS

 <p>DR. P.K. MUNGA</p>	<p>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.</p> <p>He is a qualified Certified Public Secretary (CPSK) and holds many other certificates in management and corporate governance. He is chairman to the board.</p>
 <p>ENG. D. NG'ANG'A</p>	<p>He is the current Managing Director of Murang'a Water & 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.</p>
 <p>H.M. MWITHIGA</p>	<p>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.</p> <p>He holds various post high school certificates in sales, management and corporate governance. He is the chairman audit and risk management committee of the board.</p>
 <p>J.K. MWIRIGI</p>	<p>He is an experienced finance manager who has served in the public sector for more than 10 years and is currently the Murang'a Town Manager for the last four years. He served with the now defunct County Council of Murang'a in the capacity of Marketing superintendent and later as Senior Accountant.</p> <p>He holds a Bcom in Finance. He is also a qualified accountant (CPAK) and also a qualified public secretary (CPSK) and has studied various management and administration courses.</p>
 <p>S. KARINA</p>	<p>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.</p> <p>She holds a bachelors degree in social work and administration and has numerous certificates in community development related courses from various institutions. She is a member of finance and administration committee of the board.</p>








**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

 <p>M. GICHOMO</p>	<p>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. She is a diploma holder in Journalism and diverse certificates from various institutions. She is a member of Audit and risk management committee of the board.</p>
 <p>P. KIGUTA</p>	<p>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 & 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. He has various post high school certificates. He is the chairman of the finance and administration committee of the board.</p>
 <p>E. GATHIMA</p>	<p>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. He has attained certificates in food production, evangelism & discipleship and computer packages. He is a member of finance and administration committee of the board.</p>
 <p>B. WANJERI</p>	<p>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 a member of Audit and risk management committee of the board.</p>
 <p>P. MACHARIA CECM WATER & IRRIGATION MURANG'A</p>	<p>He is a holder of Master of Science in Human Resources Management from the Jomo Kenyatta University of Agriculture and Technology. He is also a holder of Master of Business Administration majoring in Finance and Accounting from Mount Kenya University. He has undertaken an undergraduate degree in Bachelor of Commerce (Accounting Option) from the Kenyatta University. He is currently pursuing a PHD in finance from the Jomo Kenyatta University. He is a Certified Public Accountant (CPA-K). He also worked as the Chief Executive Officer of the Murang'a County Initiative Co. Ltd. He has served as Business Development Manager at the Pioneer International University.</p>

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

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 30TH JUNE 2019

IV. CHAIRMAN'S STATEMENT

I am delighted as the chairman of Murang'a Water and Sanitation Company Ltd to release our annual report and financial statements for the year ended 30th June 2019.

As a company we have made good strides in our performance areas which have resulted to continuous improvements despite myriad challenges we faced during the year. Through improved performance our stakeholder's interests are guaranteed. In addition future generations are considered in our operations as the natural resources have to be protected to ensure we have brighter prospects. At the end of the day we ensure that the residents of Murang'a have access to safe and reliable water services.

Operating Environment

The last quarter of our financial year recorded sluggish growth as the revenues declined as the cost of operations increased. As you are aware there have been numerous challenges facing our country and during the financial year there was generally slowed economic growth which affected all sectors of the economy and generally capital investment was lower than expected.

We have an opportunity in that the demand for our services has continued to rise and we have various strategies to ensure that all our customers have water and sanitation services which satisfy their requirement.

To address the concerns of our stakeholders we have continued to engage with them as we value their feedback. The environment we operate in require conservation to guarantee sustainability of our services as deforestation and global warming pose a major risk as some rivers have decreased water levels. During the year we have managed to partner with various stakeholders to plant trees in our water catchment areas. As a board we have ensured that we operate in a socially responsible manner. This includes a continued focus on operational efficiency, resources conservation efforts and responding to the needs of our customers.

Expansion Programmes

Due to the high demand for our services we have initiated various programs to increase water supply as well as expanding our sewer networks to reach un-served residents in our area of jurisdiction. Though the initial cost outlay is high we will strive to realize our vision through partnerships of like minded stakeholders.

In addition, during the year, our continued relationship with our development partners ensured that we completed water extension to various areas at a cost of **ksh.15million** funded by TWSB, AWSB and internally generated funds.

Financial performance

I am pleased to report another year of continued progress for MUWASCO in which our financial performance showed steady growth. Revenues from operating activities in the year reduced marginally to **ksh 182.7 million** from **ksh.188.6million** reported in the year 2018.

Our subsidiary Company, Fort beverage industries has continued to improve and we expect it to break even in the current financial year. The plant is progressing well with improved sales and its proceeds will be invested back to ensure 100% connectivity in our area of operations.

Future Strategies

We have a big vision for the company and our future can only be brighter. We have to forge out the best strategies to overcome the current economic hardships. Our success depends on ability to figure out the future by anticipating and responding to change and fulfilling our customers' expectations.

MURANG'A WATER AND SANITATION COMPANY LIMITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

CHAIRMAN'S STATEMENT (Continued)

As a board we will continue to support investments in new project which will yield high returns to our stakeholders as we provide the essential services of water and sanitation. The new projects will ensure the continued growth of the company and progress towards achieving the company's main objective, that of delivering greater value to its customers for socio-economic development.

Though the economic environment was not favorable for us to actualize some of our dreams we are still optimistic that we will continue receiving support from our stakeholders and financial partners and actualize the construction of Murang'a water institute and expand our water supply network to Mugoiri Watiri and other un-served areas such as Kambiti. In future we also intend to invest in biogas project to harvest gas from our Karie sewerage treatment plant which will enable us reduce pollutions to our environment and serve Murang'a which is a key town in the development of Murang'a County.

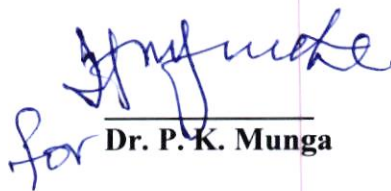
This expansion programme will require an estimated investment of over **ksh.2 billion** which calls for a lot of resource mobilization.

The year ended in a promising position and having all enabling policies and right frameworks we will be able to achieve our entire plans and realize our vision and mission as we fulfill our mandate to all stakeholders.

Acknowledgement

I must recognize the role and dedication of MUWASCO Board of Directors, The National Government, Muranga County Government, Tana and Athi Water Works Development Agencies, the Ministry of Water and Sanitation, Development partners and our customers for their support. I salute management and employees of MUWASCO for their hard work throughout the financial year.

Thank you.


for Dr. P.K. Munga

MURANG'A WATER AND SANITATION COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

V. MANAGING DIRECTOR'S STATEMENT

General Overview

I am elated to report yet another annual performance of the company for the period ended 30th June 2019. The company's performance has remained stable despite the challenges experienced in the year of our operations due to adjusted tariffs. Our challenges of high Non Revenue Water has continued to pose a challenge in our operations due to the aged infrastructure which requires huge investment for renewal. We are seeking partners to fund the renewal of the old infrastructure in order to reduce the Non revenue water to acceptable levels. In our proposal we expect to renew infrastructure in Murang'a CBD and Mukuyu.

The impact report issue no 11 of 2019 released by WASREB ranked us number two (2) in our category and number three (3) overall for the year 2017/2018. The company also was ranked as most improved in the country having scored 154 marks in year 2017/2018 against 89 which was scored in year 2016/2017. 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 the financial year Murang'a water and sanitation company ltd in collaboration with the Kayahwe WRUA, Prisons Murang'a, KFS Murang'a and sustainable agriculture community development programs Mt Kenya region joined the residents of Kiawambeu, Muchungucha and Gaitega areas in Environmental conservation awareness exercise. The event took place at Ndikwe police post where members of the community converged to learn on how to avert the warring climatic conditions through planting of indigenous trees which are eco friendly.

The journey towards ISO Certification is still on course and I am optimistic that the launch will be done before the end of current financial year.

We will also be developing our next strategic plan to steer our growth for the next five years i.e 2020 to 2025.

Company performance

Below is a summary of the company performance during the year:-

No.	ITEM	2016 /2017	2017 /2018	2018 /2019
1	Total Billings (Kshs in Millions)	197.6	188.7	182.7
2	Operating Exp (Kshs in Millions)	197.8	191.1	185.8
3	Capital Exp (Kshs in Millions)	43.8	57	15
4	Number of active water Connections	12,705	12,308	13,060
5	Number of active sewerage Connections	4,710	4,997	5,089

The performance of the company has continued to improve and during the financial year 2018-2019 despite having reviewed water tariff downwards, we were able to extend water to new areas in Kambirwa and Mirira which were not served before.

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

MANAGING DIRECTOR'S STATEMENT (Continued)

With internally generated funds and the support of partners such as Vitens Evides the following projects were completed during the year.

1. Through internally generated funds rehabilitation of water pipelines to various areas at a cost of Ksh 11.6 millions.
2. Through internally generated funds extension of sewer services to various areas at a cost of 1.1 millions
3. Improving our offices through furniture's and computers 0.62 millions
4. Njoguini Non Revenue Water Project supported by Vitens Evides at a cost of Ksh. 1.5 Millions and the project is still in progress.

Water conservation

Water resources are getting scarce each and every day and if the situation is not arrested we may not have water to serve our consumers in the near future. During the year we were able to plant 10,000 indigenous trees and started a tree planting nursery at Karie sewerage treatment plant. The aim of this is to ensure that we regain the forest cover as per constitutional requirement of more than 10% from the current 7% to ensure the environment is conserved even for our future generations.

Regards

I thank most sincerely the Board of Directors for their strategic and policy guidance during the concluded financial year 2018/2019. To the management and entire staff members of MUWASCO, it could not be possible for us to achieve much were it not for your commitment and dedication and I am confident that we have all the skills necessary to manage the significant opportunities and challenges that lie before us.

My heartfelt gratitude go to Murang'a County Government, MUWASCO stakeholders, TWWDA, WASREB, AWWDA, W.S.T.F, ministry of water and sanitation, our development partners and other institutions who supported us financially or otherwise.

I also take this opportunity to thank all those not named above but have given us moral as well as material support. It is through your contributions that we have reached where we are and we encourage you to continue supporting us even in the future.



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

MURANG'A WATER AND SANITATION COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

VI. 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 nine 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:

TYPE OF MEETING	NO
Special Board Meeting & AGM	3
Full Board Meeting	7
Finance and Admin Committee Meeting	3
Audit Committee Meeting	3
Total	16

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 advises on improvements and introduction of new control procedures.

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

CORPORATE GOVERNANCE STATEMENT(Continued)

Finance and administration committee

The committee comprises of three non executive directors and C.E.O Tana water services Board 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 services Board 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	PETER MUNGA	C.E.O TWSB	H.M.MWIT HIGA	PETER KIGUTA	ESTON GATHIMA	SUSAN KARINA	M. GICHOMO	BEATRICE WANJERI	JEREMIAH KAMAU	C.E.C WATER	C.E.C FINANCE
26/07/2018	AGM MEETING	✓	✓	✓	✓	✓	✓	✓	✓			
20/08/2018	FULL BOARD		✓	✓	✓	✓			✓			
07/09/2018	FULL BOARD	✓	✓	✓	✓	✓	✓	✓	✓			
22/10/2018	SPEACIAL BOARD		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
07/11/2018	SPEACIAL BOARD	✓		✓	✓	✓	✓	✓	✓			
19/11/2018	FIN & ADMN COMMITTEE	✓	✓			✓	✓					
19/11/2018	AUDIT COMMITTEE		✓	✓				✓	✓			
26/11/2018	FULL BOARD	✓	✓	✓	✓	✓	✓	✓	✓			
21/01/2019	FIN & ADMIN COMMITTEE		✓		✓	✓	✓					
21/01/2019	AUDIT COMMITTEE		✓	✓				✓	✓			
20/02/2019	FULL BOARD		✓	✓	✓	✓	✓	✓	✓	✓		✓
20/05/2019	FIN & ADMIN COMMITTEE		✓		✓	✓	✓					
20/05/2019	AUDIT COMMITTEE		✓	✓				✓	✓			
30/05/2019	SPEACIAL BOARD			✓	✓	✓			✓			
31/05/2019	SPEACIAL BOARD		✓	✓	✓	✓	✓	✓	✓	✓		
20/06/2019	FULL BOARD	✓	✓		✓		✓	✓	✓			

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

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 recommendation to agree, amend or to disagree with the recommendations.

Induction and training

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

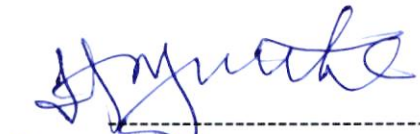
Ethics and conduct of directors

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:



for CHAIRMAN



MANAGING DIRECTOR

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

VII. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The entity's operational and financial performance			
No.	ITEM	2017/2018	2018/2019
1	Total Billings (Kshs in Millions)	188.7	182.7
2	Operating Exp (Kshs in Millions)	192.2	185.8
3	Capital Exp (Kshs in Millios)	57	15
4	Number of Active Water Connections	12,308	13,060
5	Number of Active Sewerage connections	4,997	5,089
6	Unaccounted for water	25%	25%

SECTION B

Entity's compliance with statutory requirements

Murang'a water and sanitation company complies with various statutory requirements and the 8th AGM was held on Friday the 27th July 2018. The company has a pending case which emanated from the regular tariff adjustment in Murang'a high court where the applicant was awarded Ksh. 5,410,494 and the company appealed against the decision.

SECTION C

Key projects and investment decisions the entity is planning/implementing

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 30TH JUNE 2019**

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

ON GOING PROJECTS

No.	Project	Financed by	Sustainability
1	Performance Enhancement of Water Utilities In Kenya (PEWAK)	Vitens Evides International	The project will reduce Non Revenue Water to less than 25 %

PROPOSED PROJECTS

No	Project	Financed by	Sustainability
1	Mugoiri Wa Teri water Supply	Commercial financing with result based financing (RBF) through Water Services Regulatory Board	-The project will increase the production capacity per day hence more supply to the increasing population and demand.
2	Murang'a urban NRW project	Public private partnership	-The project will reduce water losses and increase supply to unserved areas.
3	Murang'a water institute	G.O.K	The project will increase revenue streams of the company and will benefit the community.

SECTION D

Major risks facing the entity
<p>Operation risks</p> <p>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)</p> <p>Market Risks</p> <p>The company has an outstanding loan from Sidian Bank. The principal outstanding amount is Ksh 6,907,611 as at 30th June 2019 with an interest rate of 14% per annum. With interest rate capping, the company is not exposed to market risk unless the capping is removed and this could adversely affect the company cost of the loan.</p> <p>Credit Risks</p> <p>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 56,180,651 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.</p> <p>Liquidity Risk</p> <p>The company has various obligation and liabilities as outlined in note 13,18,19,20 and 21 of the accounts. The company manages liquidity risks by maintaining banking facilities through continuous monitoring of forecast and actual cash flow.</p>

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SECTION E

Material arrears in statutory/financial obligations

The company has accumulated administrative fees owed to Tana Water Services Board Amounting to Kshs 49,458,717. Other trade creditors amounted to Ksh. 57,648,329

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 30TH JUNE 2019**

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Murang'a Water and Sanitation Company limited provides unequalled water and sanitation services to her consumers while maintaining safety against any contamination, reliability and sustainability while establishing water and sanitation infrastructural layout, recognizing that environmental impact reduction and environmental conservation are crucial running priorities in order to achieve universal and equitable access to safe and affordable drinking water for all by 2030.

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

In view of the above ,We have rolled out elaborate ,coordinated environmental conservation programs aimed at achieving a minimum of 10% forest cover in our region which is a national target as well as averting harsh climatic conditions which if successful will ensure sustainability in provision of water to Kenyans. Indeed, we have partnered with government agencies like the Ministry of water and sanitation, the Water Services Providers Association (WASPA), Kenya Forest Service, the National Environment Management Authority, Murang'a and other public and private institutions in planting over six million trees nationally over a period of eight months. We have as well established a tree nursery where we are currently nurturing over 10 million seedlings which will be distributed to farmers locally in order to enhance sustainability of the programme.

Early this 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. In the same year , in conjunction with other water companies in Murang'a County, we initiated a water harvesting and conservation program that aimed at enlightening water consumers on rainfall and environment conservation. The program aims at benefiting 500 pro -poor households with water tanks and gutters installation.

We endeavor continuing to strengthen our corporate governance structure with the aim of enhancing management, transparency and monitoring. Furthermore, we will strive to increase our corporate value through compliance with all laws, regulations and rules governing our corporate activities and by establishing and operating a risk management system for managing various types of risks and stabilizing our mandate.


Eng. D. NG'ANG'A
MANAGING DIRECTOR

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

IX. BOARD OF DIRECTORS REPORT

The Board of Directors has the pleasure in submitting their annual Report and Financial Statements for the period ended 30th JUNE 2019.

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 16,371,265** as set out on page twenty two 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

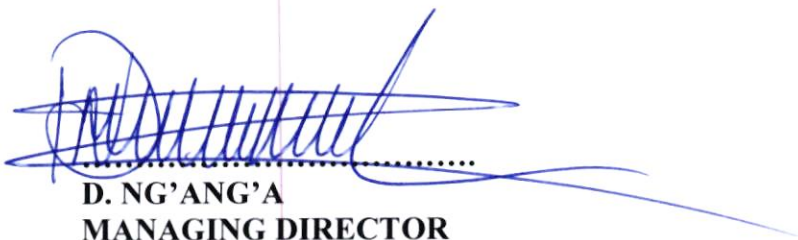
THE BOARD OF DIRECTORS

The board members who held office during the year were as indicated on pages four and five 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


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

MURANG'A WATER AND SANITATION COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

X. 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 June 30th, 2019. 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, 2019, 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.

As at 30th June 2019, the statement of financial position reflects the company's current liabilities of Ksh. 122,839,307 which exceeds the current assets balance of Ksh. 115,329,824 thus a negative working capital of Ksh. 7,509,483. This is due to operating with non cost recovery tariffs for a long period. A new application for tariff review has been made to Water services regulatory Board (WASREB) and the process is complete awaiting gazettment before implementation. We have in addition requested WASREB to extend the regular approved tariff that was gazetted on 23rd May 2014 before the new tariffs are gazetted. The company liquidity levels will improve and will be able to meet our financial obligations as and when they fall due thus we have prepared these financial statements on going concern basis.

Approval of the financial statements

The company's financial statements were approved by the Board on 1st September 2019 and signed on its behalf by:

SIGNED: _____


P.K MUNGA
CHAIRMAN


P. KIGUTA
DIRECTOR


D. NG'ANG'A
MANAGING DIRECTOR

REPUBLIC OF KENYA

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Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MURANG'A WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Murang'a Water and Sanitation Company Limited set out on pages 22 to 46, which comprise of the statement of financial position as at 30 June, 2019, statement of comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Murang'a Water and Sanitation Company Limited as at 30 June, 2019, 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 Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Opinion

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 ISSAIs 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 opinion.

Emphasis of Matter

Material Uncertainty Related to Going Concern

I draw attention to the statement of Board of Directors' responsibilities on Page 19 which indicates in the statement of financial position as at 30 June, 2019 that the Company's

current liabilities balance of Kshs.122,839,307 exceeded the current assets balance of Kshs.115,329,824 resulting in a negative working capital of Kshs.7,509,483. This is an indication that the Company is experiencing financial difficulties in meeting its obligations as and when they fall due. The directors have attributed the negative working capital to non-cost recovery tariffs which had been in force for a long period. The Directors have indicated that a new application for tariff review has been made to Water Services Regulatory Authority and that the process is complete awaiting gazettelement. The Directors are of the opinion that the Company's liquidity levels will, therefore, improve and be able to meet its financial obligations as and when they fall due, thus these financial statements have been prepared on a going concern basis.

The existence of this material uncertainty cast a significant doubt on the Company's ability to continue as a going concern which is dependent on shareholders, financiers and creditors support.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board and The National Treasury's Circular.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the Company's information, corporate governance and the report of Board of Directors as required by the Companies Act, 2015. The other information does not include the financial statements and the auditor's report thereon.

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

In connection with my audit of the Company's financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-compliance with the Water Services Regulatory Board (WASREB) Regulations on Personnel Costs

The statement of comprehensive income reflects an expenditure of Kshs.92,964,790 on personal emoluments. The amount represents about 50% of the total expenditure of Kshs.185,774,102, which is higher than the recommended ratio of 35% in accordance with the WASREB guidelines. The excess personnel costs may negatively impact on the Company's profitability and sustainability of services in the long run if measures are not put in place to contain the cost within the acceptable level.

Consequently, the Management is in breach of guidelines.

2. Long Outstanding Debt

As disclosed in Note 20 to the financial statement, the statement of financial position reflects trade and other payables balance of Kshs.107,107,046. The balance includes lease fee amounting to Kshs.49,458,717 owed to Tana Water Services Board, which had not been remitted as at 30 June, 2019. No satisfactory explanation was provided for non-settlement of the long outstanding liability.

In the circumstances, I am unable to confirm existence of effective measures on management of public resources.

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, except for the matters described in the Basis for Conclusion on

Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Corporate Governance

As previously reported, Murang'a County Water and Sanitation Services Act, 2018 was enacted to provide for a legal and institutional framework for the provision of water and sanitation services in the County. Section 10 of the Act established Murang'a County Water and Sewerage Corporation as a body corporate to take over and assume responsibilities for the provision of water and sanitation services in Murang'a County. Section 23 of the same Act provides that the Corporation so established shall maintain the existing water supplies entities including Murang'a Water and Sanitation Company as regional branches without separate legal personality.

The provisions of this Act appear to have dissolved the existing water companies as legal entities including their Boards. The CECM for Water and Irrigation, Murang'a County Government vide Gazette Notice No.1655 of 11 February, 2019 evoked Section 14(1)(d) of Murang'a County Water and Sanitation Act, 2018 and appointed interim members of the Board of Murang'a Water and Sewerage Services Corporation. The Governor, Murang'a County had appointed a caretaker committee vide the Kenya Gazette No.149 of 9 October, 2017 to manage water resources and sanitation services. Further, the Governor, Murang'a County vide Kenya Gazette No.2907 of 17 August, 2018 appointed an interim Chairman of Murang'a Water and Sanitation Company Limited.

It was noted that Murang'a Water and Sanitation Company Board of Directors appointed as per the Memorandum and Articles of Association of the Company still exist, despite the above changes in legislation and appointments. The Company has two parallel Boards.

In the circumstances, I am unable to confirm the Company's governance structure.

2. Unsupported Provision for Bad Debts

As disclosed in Note 12 to the financial statements, the statement of financial position reflects trade and other receivables balance of Kshs.87,485,356. The balance is net of Kshs.6,678,652 (2019 – Kshs.5,564,244) which has been indicated as provision for doubtful debts. The reduction has not been supported by any verifiable audit documentations or disclosed in the notes to indicate how the amount have been computed. The company policy document of the provision have also not been provided for audit review.

In absence of any explanation and policy document, I am unable to confirm the existent of effective internal controls and governance structure to safeguard public resources.

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 Kenyan Companies Act, 2015, except for the matters under the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, 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 my audit;
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those records; and
- (iii) The Company's statement of financial statements are in agreement with records and returns.

Responsibilities of Directors and Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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


Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

23 September, 2021

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

XII. STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2019


INCOME	NOTES	2018/2019 (Kshs)	2017/2018 (Kshs)
			RESTATED
Revenue Grants	1	12,675,878	14,526,490
Billings	2	182,692,262	188,634,886
Other incomes	3	3,340,471	3,923,830
Contingent liability reversed	4	3,436,756	-
		202,145,367	207,085,206
EXPENDITURE			
Personal emoluments	5	92,964,790	88,364,655
Administration expenses	6	34,164,911	31,963,510
Production and maintenance expenses	7	30,086,633	33,005,520
General office expenses	8	5,088,340	5,415,807
Depreciation and amortization	9 and 10	22,216,611	23,999,721
Transfer of debtors	11	-	6,892,217
Finance cost	18	1,252,817	1,704,206
		185,774,102	191,345,636
SUPRLUS FROM OPERATING ACTITIES		16,371,265	15,739,570
TAX		-	-
TOTAL SUPLUS		16,371,265	15,739,570

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

XIII. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019

NON CURRENT ASSETS	NOTES	2018/2019 Kshs	2017/2018 Kshs
Property, plant and Equipment	9	249,853,330	RESTATED 257,037,078
Intangible assets	10	179,200	224,000
Total non current asset		250,032,530	257,261,078
CURRENT ASSETS			
Receivables	12	87,485,356	72,638,853
Cash and cash equivalent	13A	728,117	2,420,433
Inventory	14	7,356,099	7,252,945
Investment in subsidiary	15	20,488,369	20,488,369
Total current assets		116,057,941	102,800,600
TOTAL ASSETS		366,090,471	360,061,678
EQUITY AND LIABILITIES			
Capital Reserves	16	33,275,181	33,275,181
Revenue Reserves	17	103,490,750	87,119,485
Total Capital and reserves		136,765,931	120,394,666
NON CURRENT LIABILITIES			
Loan principal payable	18	2,959,729	6,907,611
Deferred income	19	102,797,387	109,135,947
Total noncurrent liabilities		105,757,116	116,043,558
Current liabilities			
Trade and other payables	20	107,107,046	102,595,379
Loan principal payable	18	3,947,882	3,429,832
Tax payable	21	2,510,040	2,510,040
Contingent Liability	4	-	5,410,594
Deferred income	19	8,846,165	9,638,071
Overdraft	13B	1,156,291	39,540
Total Current Liabilities		123,567,424	123,623,456
TOTAL EQUITY AND LIABILITIES		366,090,471	360,061,678

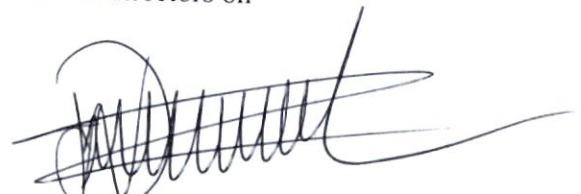
The financial statements on pages 22-47 were approved by the board of directors on 1/09/2019 and were signed on its behalf by:



DR.P.K MUNGA
CHAIRMAN



P. KIGUTA
DIRECTOR



ENG. D. NG'ANG'A
MANAGING DIRECTOR

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

XIV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2019

	NOTES	CAPITAL RESERVES (Kshs)	REVENUE RESERVES (Kshs)	TOTALS (Kshs)
Balance at 1 st July 2017		33,275,181	71,379,915	104,655,096
Surplus for the year(Restated)	17	-	15,739,570	15,739,570
Balance at 30th June 2018(Restated)		33,275,181	87,119,485	120,394,666
Balance at 1st July 2018(Restated)		33,275,181	87,119,485	120,394,666
Surplus for the year	17	-	16,371,265	16,371,265
Balance at 30th June 2019		33,275,181	103,490,750	136,765,931

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

XV. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2019

		2018/2019	2017/2018
		(Kshs)	(Kshs)
			Restated
Cash Flows from operating activities	Notes		
Surplus generated from operating activities	17	16,371,265	15,739,570
Adjustment for: Non cash items			
Depreciation and amortisation	9,10	22,216,611	23,999,721
Provision for bad debts	6	1,114,408	(1,207,177)
Amortisation on capital grants	1,19	(9,996,300)	(10,898,878)
Adjusted Surplus From operating Activities Before Working Capital changes		29,705,984	27,633,236
Changes in working capital			
(Increase)/(Increase) in inventory	14	(103,154)	(319,524)
(Increase)/(Increase) in receivables	12	(15,960,907)	(3,067,961)
Decrease)/Increase in short term liabilities	18,20,21	735,874	(3,099,474)
(Decrease)/(Decrease) in long term liabilities	18	(3,947,882)	(2,484,864)
Net cash flows From Operating Activities		10,429,915	18,661,413
Cash flows from Investing Activities			
Purchase of P.P.E and Intangible asset	9,10	(14,988,062)	(56,723,477)
Net Cash flows from investing activities		(14,988,062)	(56,723,477)
Cash flows from Financing Activities			
Deferred income	19	2,865,833	36,318,035
Net Cash flows from Financing Activities		2,865,833	36,318,035
Net Decrease/increase in cash & cash equivalents		(1,692,316)	(1,744,031)
Cash and Cash equivalent at start of year		2,420,433	4,164,464
Cash and Cash equivalents at end of year	13A	728,117	2,420,433

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Actual	Budget	Variance	Variance (%)	Explanation of material variances
	Cumulative to date	Cumulative to date			
	K.Shs	K.Shs	K.Shs		
Revenue					
Water billings	122,944,375	127,813,001	(4,868,626)	(4)	ok
Sewer billings	36,929,369	37,920,684	(991,315)	(3)	ok
Other billings/incomes	26,158,988	20,999,996	5,158,992	25	Increased new connections, bowser & exhauster incomes
total income	186,032,732	186,733,681	(700,949)		
expenses					
Salaries	80,856,857	81,122,688	(265,831)	(0)	ok
Casual wage	728,185	1,180,080	(451,895)	(38)	some casuals given contracts
Leave allowance	2,353,097	2,793,000	(439,903)	(16)	Given at the commencement of leave
N.S.S.F co. contribution	265,200	288,000	(22,800)	(8)	ok
Pension	2,629,449	2,670,264	(40,815)	(2)	ok
Training	602,937	448,000	154,937	35	engagement of M.C.I students
Gratuity expense	3,452,424	3,172,145	280,279	9	ok
Subsistence allowances	4,113,595	3,820,000	293,596	8	ok
Telephone, e-mail, & mobile phone services	2,098,058	3,108,000	(1,009,942)	(32)	Use of calling bundles
Courier & postal services	40,639	63,600	(22,961)	(36)	Reduced no. of bills delivered through poster
Travel costs	330,680	300,000	30,680	10	ok
Newspapers, magazines periodicals	116,700	150,720	(34,020)	(23)	Reduced supply when user departments are away
Advertising	2,012,790	2,620,000	(607,210)	(23)	A.G.M advert not yet done
Water abstraction fee-WARMA	484,631	600,000	(115,369)	(19)	less abstraction due to shortage in supply
Catering services	449,903	450,000	(97)	(0)	OK
Directors expenses meetings, conferences & seminars	2,986,482	3,400,050	(413,568)	(12)	Training not yet doned
Insurances	2,444,635	3,050,000	(605,365)	(20)	A.G.M not yet held
General office supplies	1,158,421	3,000,000	(1,841,579)	(61)	some insurance cover to be paid in the next quarter
Contracted guards services	4,000,158	3,665,000	335,158	9	ok
Membership and subscriptions	1,324,667	993,120	331,547	33	engagement of armed police officers
Legal dues/fees	406,565	280,000	126,565	45	more staff enrolling to various bodies after completion of studies
Licences and permits	1,823,400	1,930,000	(106,600)	(6)	OK
	493,000	400,000	93,000	23	wasreb license fee

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

Maintenance expenses-motor vehicles & cycles	9,244,421	6,912,000	2,332,421	34	fuel prices keep on fluctuating
	4,960,363	4,359,050			more chemical used during rainy season
Chemicals & reagents			601,313	14	
Electricity	3,172,532	3,600,000	(427,468)	(12)	no pumping at kayahwe
Staff uniforms	971,482	955,000	16,482	2	ok
Operation and maintenance	21,469,107	21,185,000	284,107	1	ok
WASREB levy	1,682,271	1,657,339	24,932	2	ok
Bank service commission & charges	186,208	241,000	(54,792)	(23)	internet banking which has lowered bank charges
	1,396,900	1,934,500			ISO certification process in progress
Professional services			(537,600)	(28)	
Sundry expenses and donations	254,930	360,000	(105,070)	(29)	reduction in C.S.R activities
Total expenditure	158,510,687	160,708,556	(2,092,799)		
Surplus for the period	27,522,045				

Reconciliation items not in the budget

Depreciation	(22,216,611)				
Provision for bad debts	(1,114,408)				
Amortization	12,675,878				
Finance cost	(1,252,817)				
Salaries to seconded staff	(2,679,578)				
Contingent liability reversed	3,436,756				
Profit before taxation	16,371,265				
Capital expenditure					
Meters and accessories	1,668,094	9,766,000	(8,097,906)	(83)	received donation from athi water services board
Water network	11,604,278	35,453,000	(23,848,722)	(67)	received donation from athi water services board
Sewer network	1,084,200	2,110,000	(1,025,800)	(49)	Fewer customers applied for sewerage connection
Computers & computer networking	560,000	1,400,000	(840,000)	(60)	No major breakdown of computers during the year
Furniture & office equipment	71,490	300,000	(228,510)	(76)	Office furniture and equipments in good condition hence there was no major replacement
NRW	-	2,500,000	(2,500,000)	(100)	Received donations from tana water services board
TOTAL	14,988,062	51,529,000			

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

XVII. 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 2nd May 2006 and revised on 4th 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. ADOPTION OF NEW AND REVISED STANDARDS

(a) All new and revised standards and interpretations that have become effective for the first time in the financial year beginning July 2018 have been adopted by the company. Of those the following have had effect on the financial statements;

Amendments to IFRS 7 -The amendment requires disclosure of nature and extent of risk associated with financial instruments. Apart from disclosure there were no any significant changes in the amounts reported.

Amendments to IAS 24 disclosure of related party transactions, the company has disclosed the related parties and their transactions.

(b) Relevant new standards and amendments to published standards effective for the year ended 30th June 2019

New and Amendments to standards	Effective for annual period
Amendments to IFRS 9	1 st January 2019
Amendment to IFRS 23- Cost of Borrowing	1 st January 2019
IFRS 17 Insurance Contract	1 st January 2021

(c) Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 30th June 2019 and future annual reports

The company has assessed the potential impact of the above and expects that they will not have significant impact on the financial statements for 2018/2019.

(d) Early adoption

The company did not early adopt any new or amended standards in financial year 2018-2019.

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 from Murang'a county government, Ministry of water & sanitation, Kiharu constituency development fund, Tana Water Services Board and Water sector Trust Fund, Athi Water Services Board.

(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.

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:

Per Annum	RATE
	%
-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.

MURANG'A WATER AND SANITATION COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 18. 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 21.

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.56,180,651 and the highest percentage was owed by the Government institutions and the default risk is assessed as low.

The company provides provision for doubtful debts against outstanding specific water and sewerage debts. During the year specific provision was made amounting to Kshs 1,178,430 and a general provision of 10% on net balance of Ksh.5,500,222 making a total provision of Ksh.6,678,652.

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS(continued)

m. Liquidity risk management

The company has various obligations and liabilities as outlined in note 13,18,19,20 and 21 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 2019 Current liabilities(Kshs)	20,782,127	5,810,387	4,922,463	91,324,330	122,839,307
At 30 June 2018 Current liabilities(Kshs)	15,960,480	1,268,080	1,314,302	105,041,053	123,583,915

The current liabilities of Ksh 122,839,307 exceeds the current assets of Ksh 115,329,824 giving rise to a negative working capital of Ksh 7,509,483. However the company has applied for review of water tariffs which is expected to improve liquidity of the company and reverse the negative working capital.

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.

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.

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

NOTES TO THE FINANCIAL STATEMENTS(continued)

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 30th June 2019.

u. Budget information

The budget for financial year 2018-2019 was approved by the board of directors on 24th June 2018.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 and Sanitation. 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.

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 11.

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.

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).

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

EXPLANATORY NOTES TO THE ACCOUNTS

1) 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.

<u>REVENUE GRANTS</u>	<u>2018/2019</u>	<u>2017/2018</u>
	(Kshs)	
AMOTIZATION OF CAPITAL GRANTS	9,996,300	10,898,878
SALARIES PAID TO SECONDED STAFFS	2,679,578	3,308,612
ELECTRICITY GRANTS	-	319,000
TOTAL	12,675,878	14,526,490

2) BILLINGS

WATER	122,944,375	134,287,439
SEWERAGE	36,929,369	36,159,217
METER RENT	33,700	5,165,300
OTHER BILLINGS	16,705,518	8,917,930
RE- CONNECTION FEES	6,079,300	4,105,000
TOTAL	182,692,262	188,634,886

3) OTHER INCOMES

WATER CONNECTION FEES	3,200,415	3,607,810
SEWER CONNECTION FEES	100,460	105,350
UNMETERED WATER SALES	-	210,670
SURCHARGES	39,596	-
TOTALS	3,340,471	3,923,830

4) CONTINGENT LIABILITY REVERSED

The high court of Murang'a had awarded the applicant Ks. 5,410,594 but upon appeal, the amount awarded was Ksh 1,973,838

CHARGED AMOUNT	5,410,594	-
ACTUAL AMOUNTN TO BE PAID	(1,973,838)	-
Total	3,436,756	-

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

5) <u>PERSONEL EMOLUMENTS</u>	2018/2019	2017/2018
	Kshs	Ksh
SALARIES	80,834,357	73,667,904
SALARIES (G.O.K GRANT)	2,679,578	3,308,612
LEAVE ALLOWANCES	2,353,097	1,783,620
NSSF COMPANY CONTRIBUTIONS	265,200	275,400
PENSION CONTRIBUTION	2,629,449	2,364,826
STAFF GRATUITY	3,452,424	2,891,382
CASUAL WAGES	728,185	1,312,035
MEDICAL INSURANCE	-	2,760,876
MILEAGE ALLOWANCES	22,500	-
TOTAL PERSONAL EMOLUMENTS	92,964,790	88,364,655
6) <u>ADMINISTRATION EXPENSES</u>		
TRAINING	602,937	566,200
ADVERTISING	2,012,790	1,210,540
BOARDS, COMMITTEES,	3,145,682	2,098,408
MOTOR VEHICLE EXPENSES	9,244,421	10,063,459
CONSULTANCY/PROFESSIONAL FEES	684,400	1,053,478
SUNDRY AND DONATION EXPENSES	254,930	136,754
INSURANCES	1,158,421	1,736,182
MEMBERSHIP AND SUBSCRIPTIONS	406,565	188,620
COURIER & POSTAL SERVICES	40,639	48,357
COMMUNICATION AND INTERNET EXPENSES	2,098,058	2,852,672
LICENCES & PERMITS	493,000	15,000
CATERING SERVICES	449,903	694,555
CONTRACTED GUARDS SERVICES	1,324,667	974,023
WASREB LEVY	1,682,271	1,811,478
BANK SERVICE COMMISSION & CHARGES	186,208	127,443
LEGAL FEES	1,823,400	1,447,000
MEETING COSTS ,CONFERENCES & SEMINARS	2,444,635	879,830
TRAVEL COST	328,280	318,613
INCREASE(DECREASE)FOR CREDIT RISK	1,114,408	(1,207,177)
SUBSISTENCE ALLOWANCES	3,956,796	5,978,679
AUDIT FEES	712,500	969,396
TOTAL	34,164,911	31,963,510

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

NOTES TO THE FINANCIAL STATEMENT (continued)

	2018/2019	2017/2018
	Kshs	Kshs
7) <u>PRODUCTION & MAINTENANCE EXPENSES</u>		
ELECTRICITY	3,172,532	3,700,981
OPERATING AND MAINTENANCE COST	21,469,107	25,476,717
CHEMICALS	4,960,363	3,338,368
WATER ABSTRACTION FEE-WARMA	484,631	489,454
TOTAL	30,086,633	33,005,520
8) <u>GENERAL OFFICE EXPENSES</u>		
STAFF UNIFORMS	971,482	144,755
GENERAL OFFICE SUPPLIES	4,000,158	5,156,092
NEWSPAPERS, MAGAZINES & PERIODICALS	116,700	114,960
TOTAL	5,088,340	5,415,807

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

NOTES TO THE FINANCIAL STATEMENT (continued)

9) PROPERTY PLANT & EQUIPMENTS (KSHs)

COSTS	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 st July 2017(RESTATED)	55,721,087	61,819,990	213,143,712	6,377,466	6,827,834	343,890,089
Additions during the year	-	26,843,666	28,909,983	969,828	-	56,723,477
Transfer to FBIL	(17,926,909)		(3,279,499)		(200,100)	(21,406,509)
Total Cost As At 30th JUNE 2018(restated)	37,794,178	88,663,656	238,774,196	7,347,294	6,627,734	379,207,057
Cost as at 1 st July 2018	37,794,178	88,663,656	238,774,196	7,347,294	6,627,734	379,207,057
Additions during the year	-	8,851,451	5,576,611	-	560,000	14,988,062
Total Cost As At 30th JUNE 2019	37,794,178	97,515,107	244,350,807	7,347,294	7,187,734	394,195,119
DEPRECIATION						
As at 1 st July 2017(RESTATED)	3,990,847	4,941,416	79,190,591	5,270,168	4,833,236	98,226,258
charge for the year (restated)	845,083	2,093,056	19,947,951	519,281	538,350	23,943,721
Accumulated depreciation As at 1st July 2018	4,835,930	7,034,472	99,138,542	5,789,450	5,371,585	122,169,979
Charge for the year	823,956	2,262,016	18,151,533	389,461	544,845	22,171,811
Total Accumulated Depreciation As At 30th June 2019	5,659,887	9,296,488	117,290,075	6,178,910	5,916,430	144,341,790
NET BOOK VALUE						
As at 30th JUNE 2019	32,134,291	88,218,619	127,060,732	1,168,384	1,271,304	249,853,330
As at 30th JUNE 2018 (Restated)	32,958,248	81,629,184	139,635,654	1,557,844	1,256,149	257,037,079

-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 .

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

NOTES TO THE FINANCIAL STATEMENTS(continued)

10) INTANGIBLE ASSETS (Ksh)

COST:

Cost as at 1 st July 2017	350,000
Additions during the year	-
Total cost as at 30th June 2018	350,000
Cost as at 1 st July 2018	350,000
Additions during the year	-
Total cost as at 30th June 2019	350,000

AMORTISATION:

As at 1 st July 2017	70,000
Charge for the year	56,000
Total accumulated amortization as at 30th June 2018	126,000
As at 1 st July 2018	126,000
Charge for the year	44,800
Total accumulated amortization as at 30th June 2019	170,800

NET BOOK VALUE:

As at 30th June 2019	179,200
As at 30th June 2018	224,000

11) TRANSFER BACK OF DEBTORS TO MURANG'A SOUTH WATER AND SANITATION COMPANY

ZONE	2018/2019 (Kshs)	2017/2018 (Kshs)
Maragua	-	534,913
Nginda	-	750,942
Itaaga	-	2,938,163
Ichagaki	-	2,891,382
Total	-	6,892,217

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS(continued)

12) RECEIVABLES	2018/2019	2017/2018
	(Kshs)	(Kshs)
Trade Receivables	56,180,651	44,431,006
Provision for doubtful debts	(6,678,652)	(5,564,244)
TOTAL TRADE RECEIVABLES	49,501,999	38,866,762
Other receivables	37,016,988	32,645,568
Prepayment and deposits	939,524	1,099,682
Prepaid finance cost	26,845	26,841
NET BOOK VALUE	87,485,356	72,638,853

13A) CASH & CASH EQUIVALENT

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

Financial institution	Account number		
i. Current accounts			
Equity bank	0220290765689	-	759,653
Family bank	06000015543	136,280	996,846
Cooperative bank	01141573530000	3,669	95,385
Equity bank-fort beverage	0220272638432		
Sub- total		139,949	1,851,884
ii Deposit account			
Equity bank	0220192975587	29,467	326,416
Sub- total		29,467	326,416
iii Fixed deposit account			
Equity bank	0220378649400	300,000	-
Sub- total		300,000	
Others			
iv M-PESA	898600	253,612	113,930
v Cash at hand		5,089	128,203
Sub- total		258,701	242,133
GRAND TOTAL		728,117	2,420,433

13B) CASH AND CASH EQUIVALENT(OVERDRAFTS)

Current Accounts

Equity bank	0220290765689	1,112,431	-
Sidian bank	01012020003971	43,860	39,540
TOTAL		1,156,291	39,540

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

NOTES TO THE FINANCIAL STATEMENTS (continued)	2018/2019 Kshs	2017/2018 Kshs
14) <u>INVENTORY</u>		
Tools and Fittings	1,877,025	1,912,782
Chemicals	913,790	906,831
Pipes	736,843	1,224,112
Water Meters and Valves	3,507,599	3,025,500
Stationery and cleaning materials	320,842	183,720
TOTAL	7,356,099	7,252,945
15) <u>INVESTMENT IN SUBSIDIARY</u>		
Brought forward	20,488,369	-
Buildings	-	17,478,737
Computer	-	140,070
Furniture	-	167,046
Equipment	-	2,702,516
Carried forward	20,488,369	20,488,369
16) <u>CAPITAL RESERVES</u>		
Brought forward	33,275,181	33,275,181
Carried forward	33,275,181	33,275,181
17) <u>REVENUE RESERVES</u>		RESTATED
Brought forward	87,119,485	71,379,915
Current period	16,371,265	15,739,570
Carried forward	103,490,750	87,119,485
18) <u>LOAN INTEREST AND PRINCIPAL PAYABLE</u>		
During the year, the company had an outstanding interest bearing financial obligation from Sidian bank for Muchungucha water project .		
Interest payable b/f	(26,841)	(622,754)
Interest additions in the year	1,252,817	1,704,206
Interest paid during the year	(1,252,817)	(1,108,293)
Interest payable c/f(prepaid finance cost)	(26,841)	(26,841)

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2018/2019	2017/2018
	Ksh.	Ksh.
Loan principal payable b/f	10,337,443	12,370,917
Loan principal paid by Muwasco	(3,429,832)	(2,033,474)
Loan principal payable c/f	6,907,611	10,337,443
Loan principal payable within one yr	3,947,882	3,429,832
Loan principal payable after 1 yr	2,959,729	6,907,611
Loan principal payable c/f	6,907,611	10,337,443
19) DEFERRED INCOME		
Brought Forward	118,774,018	93,354,861
Amortization on capital grants	(9,996,300)	(10,898,878)
Murang'a County Government	-	-
WSTF-Kiriaini bus park PSF(refund)	-	-
WSTF-Muchungucha water project	-	-
TWSB-Water meters,ultrasonic flow meter	2,194,333	3,280,500
AWSB-water meters,airvalves,sluicevalves	671,500	17,785,000
Water for life project	-	15,252,535
TOTALS	111,643,552	118,774,018
Deferred Income amortizable within one yr	8,846,165	9,638,071
Deferred income amortizable after 1 yr	102,797,387	109,135,947
Total Deferred Income c/f	111,643,552	118,774,018

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

NOTES TO THE FINANCIAL STATEMENTS (continued)

20) TRADE AND OTHER PAYABLES

Customers Prepayments	2,011,527	1,813,085
Suppliers creditors	20,665,677	18,915,626
Other creditors	3,975,453	4,129,660
Provision for audit fees	1,187,500	1,187,500
Accrued bills	55,228,263	56,211,048
Customer deposits	21,073,571	19,453,622
Gratuity payable	844,093	798,600
Withholding tax-V.A.T	147,124	81,152
Withholding TAX-Income tax	-	5,086
Legal fees payable	1,973,838	-
TOTALS	107,107,046	102,595,379

21) TAX PAYABLE

Tax Payable Balance B/F	2,510,040	2,510,040
Charge for the year	-	-
TAX PAYABLE	2,510,040	2,510,040

22) 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 Services Board.
- (d) Key Management
- (e) Board of directors
- (f) Fort beverage Industries Ltd

Transactions with related parties

	2018/2019	2017/2018
	Kshs.	Kshs.
<u>1. GRANTS FROM RELATED PARTIES</u>		
Grant from Murang'a county government	2,679,578	3,308,612
Grant from Tana Water Service Board	2,194,333	3,280,500
Grant from Athi water service board	671,500	-
Total	5,545,411	6,589,112

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. EXPENSES INCURRED ON

BEHALF OF RELATED PARTIES

	2018/2019	207/2018
	Kshs	Kshs
B.O.D expenses	3,145,682	2,098,408
Management salaries and leave allowances	12,808,250	11,930,111
Management gratuity	3,452,424	2,891,382
Total	19,406,356	16,919,901

-During the year, Muranga water and sanitation company transferred funds amounting to ksh 50,000 from its deposit a/c to the fort beverage equity bank account.

23) CAPITAL COMMITMENTS

The following capital commitments are expected to be incurred in the year 2019/2020

<u>NO</u>	<u>DETAILS</u>	<u>Kshs</u>
1	Meters and accessories	12,699,800
2	Water network	18,533,000
3	Sewerage network	6,000,000
4	Motor vehicle & cycles	3,531,000
5	Computer and computer networking	2,450,000
6	Furniture and office equipments	300,000
7	Non Revenue management and GIS Equipments	1,000,000
8	Kayahwe-Mukuyu water extension project	50,000,000
9	Karichiungu-Kiharu raw water project	47,216,927
	TOTAL	141,730,727

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

XVIII. APPENDIX 1: PROJECTS IMPLEMENTED BY THE ENTITY

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1.Performance enhancement of water utilities in Kenya(PEWAK)-Njoguini-DMA	FDW-KN-15-0001	Vitens Evides International	2016 to 2019	45 %	Yes	Yes

STATUS OF PROJECTS COMPLETION

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1.	Performance enhancement of water utilities in Kenya(PEWAK)	11,397,950	1,529,727.90	71%	11,397,950	8,137,984	Both Vitens Evides International and MUWASCO contributions

XIX. APPENDIX 2: INTER-ENTITY TRANSFERS

The transfers from Murang'a county government are salaries paid directly to our seconded member of staff.

Transfer from Athi and Tana Water Works Development Agencies are in-kind.

ENTITY NAME:		MURANG'A WATER AND SANITATION COMPANY		
	<u>Type of grant</u>	<u>Description of grant</u>	<u>Amount(Ksh)</u>	<u>Fy</u>
1	Transfer from Muranga County Government			
	Revenue grant	Salaries to seconded staffs	2,679,578	FY 2018/2019
2.	Transfer from Athi Water Works Development Agency			
	Capital grant	Air valves ,Sluice Valves	671,500	FY 2018/2019
3.	Transfer from Tana Water Works Development Agency			
	Capital grant	Water meters	2,194,333	FY 2018/2019

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

XX. APPENDIX 3: PROGRESS ON FOLLOWUP OF AUDITORS RECOMMENDATIONS

The following is the summary of issues raised by the external auditors, and management comments that were provided to the auditor in the annual report and financial statements for the year ended 30th June 2018.

<u>No.</u>	<u>Issue/observations from auditor</u>	<u>Management comments</u>	<u>Focal point person</u>	<u>Status</u>	<u>Timeframe</u>
1.	<p>Failure to Disclose material uncertainty in relation to going concern</p> <p>Current liabilities exceeded current assets</p>	<p>The company has been operating with non cost recovery tariffs for a long period 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. After management's efforts, the tariffs were partially implemented on September 2015 and the company was embarking on reducing the liabilities which had accumulated for years. The company liquidity levels improved but since the downward tariff adjustment by the County Government done vide a gazette notice number 2104 of 9th March 2018 the company revenue has decreased. However a new application for tariff review has been made to WASREB and the process is expected to be completed by the end of this financial year and the company is expected to be operational even in the foreseeable future</p>	Managing director	Disclosure done in the current year	June 2019
2.	<p>Non-Revenue Water-NRW water is over and above the allowable loss of 25 %</p>	<p>It's imperative to appreciate the fact that the Non-Revenue water is occasioned by our dilapidated old infrastructure which dates back to the colonial period. To bring down the NRW, a complete overhaul of current system will be required .This calls for massive investment which is beyond the company affordability. Despite these challenges the company has embraced a continuous improvement policy whereby it has zoned its operations into three regions each headed by a regional manager with one of the objectives being reduction of the NRW to acceptable levels.</p> <p>As management we are putting every effort to ensure the NRW is reduced to acceptable levels and this includes but not limited to:-</p> <ol style="list-style-type: none"> i. Mass changing of old water meters to curb commercial losses ii. Adoption of public private partnership (PPP) to source for funds for rehabilitating the old infrastructure under commercial financing. 	Managing director	Not resolved	June 2019

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

		<ul style="list-style-type: none"> iii. Benchmarking with Peer Companies to adopt best practices. iv. Strengthening of NRW team section. v. Continuous meter testing where there is doubt concerning their accuracy. vi. Internal as well as external trainings on methods to curb NRW. vii. Partnering with SNV Netherlands development organization, Kenya Water Institute (KEWI) ,Water Services Providers Association (WASPA) Vitens Evides International and Performance Enhancement of Water utilities in Kenya (PEWAK) 			
3	Unremitted Lease fees of 49.7 millions	<p>The outstanding fees have accumulated as a result of non implementation of cost recovery tariffs which affected the liquidity of the company. It's worth noting that in the balance of current liabilities the company had accrued bills of Ksh 49.7 Million owed to TWSB who were licensees by then and one of their obligations was to finance and implement capital works as per SPA Clause 5.3(a) and since the company had made capital investment on behalf of TWSB valued at Ksh 56.8 Millions, the management is pursuing the same to be converted to equity capital.</p> <p>The current Water Act 2016, Section 131(1) and (2) provides that all funds collected by WSPs shall be used for the purposes of covering costs for the provision of water services and asset development, No requirement to pay fees for use of asset rather than payment of loans for development of those assets.</p>	-Managing director	-Not resolved	June 2019
4	IT Environment-Confiscation of ICT Assets by County Government officers	<p>Since inception of the company the management has ensured that there are effective systems of internal controls which are effective and over the last 10 years no item of the company has been lost. However the loss occasioned by vandalism orchestrated by some officials of the Murang'a County Government on 27th August 2018 was criminal in nature and the case was reported to the relevant authorities and we hope the investigations would be completed and the necessary action taken against the culprits.</p> <p>The issue is not related to the security as the company has outsourced the security services who were intimidated and the criminal group broke the metallic entrance gate to get access to the premises.</p>	-Managing director	-The matter is with relevant authority to conclude investigation and prosecute	-Due
5	Responsibility of Directors and	Although section 77 of Water Act 2016 provide that a Count Government shall establish water service providers the same Act provides for the transition provision under section	-Board of Directors	-Transition to be done	June 2019

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

	<p>those Charged with governance</p> <p>-It appears that the company is facing governance issues including existence of two parallel Boards or bodies charged with governance of the company</p>	<p>153(1). All properties, assets, rights, liabilities, obligations, agreements and other arrangement linked to water provision existing before commencement of the Act are deemed to have vested to the county water services providers to the same extent. In addition section 154 provides that the existing water services providers shall continue to operate as the county water services providers or cross county water services providers as the case may be within the period specified in the transfer plan published by the Cabinet Secretary</p> <p>Murang'a Water and Sanitation Company was incorporated under Companies Act Cap 486 laws of Kenya and Water Act of 2002 and has been operational since year 2006. In year 2010 the constitution of Kenya was promulgated and this led to having two levels of Government, the National government and the County Government with each having separate functions. The function between National government and County government is clearly defined under the forth schedule of the constitution whereby part 1(2) vest the national government with responsibility of use of international water and water resources and protection of environment and natural resources part 1(22).Part 2 (10)of the schedule gave the county government the responsibility of implementing specific national government policies on natural resources' and environmental conservation i.e. (a)-Soil and water conservation and (b) forestry. In addition Part 2 (11) County public works and services, including (a) Storm water management systems in built-up areas and (b) Water and sanitation Services</p> <p>Murang'a water having transited to county water service provider has legally constituted board of directors as per the Water Act 2016, Company law 2015 and Companies memorandum and articles of association. Any amalgamation, merger or dissolutions has to be done within the law creating the Company.</p> <p>The county water and sanitation Services Act of 2018 has various sections which are inconsistent with the Water Act 2016 as per attached letter to the Murang'a County Assembly by Water Services Regulatory Board (WASREB)</p> <p>Since Murang'a water and Sanitation Company is operating within the law and compliant with regulations creating it, the company has separate legal entity and the company board is per corporate governance guidelines issued by WASREB. The Company's Board of Directors is ready and willing to resolve outstanding issues provided that they are done within the law.</p>		<p>within the law and existing regulations</p>	
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MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

XXI. APPENDIX 4: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
Vitens Evides	13/09/2017	Development	548,603.25	548,603.25	-	-	-	-	548,603.25
Vitens Evides	19/12/2018	Development	801,561.40	801,561.40					801,561.40
Vitens Evides	03/04/2019	Development	179,563.25	179,563.25					179,563.25
Total			1,529,727.90	1,529,727.90	-	-	-	-	1,529,727.90