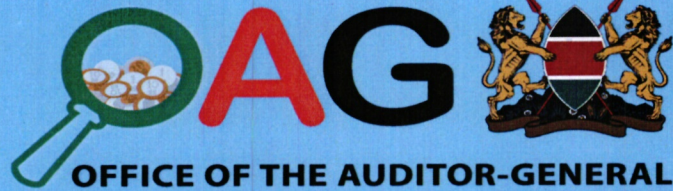


REPUBLIC OF KENYA



*Enhancing Accountability*

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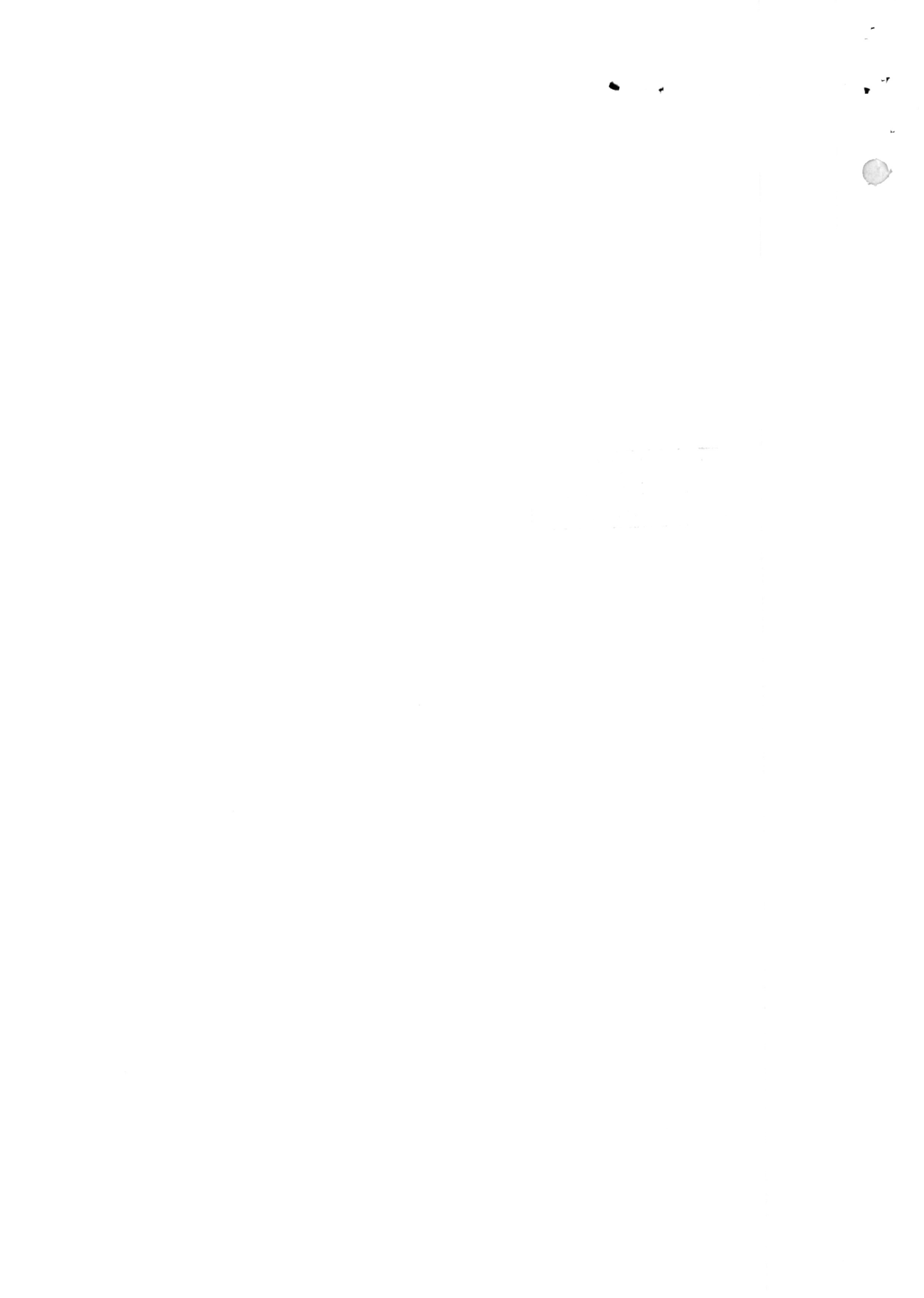
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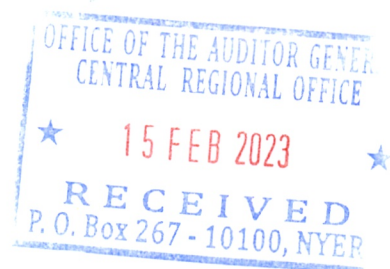
**FOR THE YEAR ENDED  
30 JUNE, 2022**





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

**ANNUAL REPORTS &  
FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2022**



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

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Table of Contents**

I.	Key Entity Information .....	iv
II.	The Board Of Directors .....	vi
III.	Management Team.....	x
IV.	Chairman's Statement .....	xi
V.	Report Of the Managing Director .....	xiii
VI.	Statement Of Performance Against Predetermined Objectives for FY 2021/2022 .....	xv
VII.	Corporate Governance Statement .....	xix
VIII.	Management Discussion And Analysis .....	xxii
IX.	Environmental And Sustainability Reporting.....	xxv
X.	Report Of the Directors .....	xxvii
XI.	Statement Of Directors' Responsibilities .....	xxviii
XII.	Report Of The Auditor General .....	xxix
XIII.	Statement Of Profit or Loss & Other Comprehensive Income For The Year Ended 30 June 2022 .....	1
XIV.	Statement Of Financial Position As At 30 June 2022.....	2
XV.	Statement Of Changes In Equity For The Year Ended 30 June 2022 .....	3
XVI.	Statement Of Cashflow For The Year Ended 30 June 2022 .....	4
XVII.	Statement Of Comparison Of Budget And Actual Amounts For The Period Ended 30 June 2022 .....	5
XVIII.	Notes To The Financial Statements.....	8
XIX.	Appendices: .....	24

# Murang'a Water And Sanitation Company Limited

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

### I. Key Entity Information

#### Incorporation

The company is a limited company by guarantee established under the Companies Act Cap 486 (Revised 2015) and operating under license by Water Services Regulatory Board (WASREB).

#### Principal Activity

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

#### Vision:

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

#### Mission:

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

#### Core values:

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

#### Directors

<b>Name</b>	<b>Designation</b>	<b>Date Of Appointment</b>
Dr. P. K. Munga	Chairman	Appointed on 18 <sup>th</sup> October 2019
Eng. D. Ng'ang'a	Managing Director	Appointed on 1 <sup>st</sup> November 2019
H. M. Mwithiga	Member	Appointed on 18 <sup>th</sup> October 2019
S. Karina	Member	Appointed on 18 <sup>th</sup> October 2019
M. Gichomo	Member	Appointed on 18 <sup>th</sup> October 2019
P. Kiguta	Member	Left March 2022
E. Gathima	Member	Appointed on 18 <sup>th</sup> October 2019
B. Wanjeri	Member	Left March 2022
J. Kamwaga	Member	Appointed on 18 <sup>th</sup> October 2019
S. Njogu	Member	Appointed in 2020
D. Waweru	Member	Appointed in 2018
A. Maina	Member	Left 2022
G.Kamau	Member	Appointed March 2022
R.Kamina	Member	Appointed March 2022

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Corporate Secretary**

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

**Registered Office**

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

**Corporate 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 Branch
2. Cooperative Bank Of Kenya  
P. O. BOX 954 - 10200,  
Murang'a Branch
3. Family Bank  
P. O. BOX 1130 - 10200,  
Murang'a Branch

**Independent Auditors**






Auditor General  
The Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084GPO 00100  
Nairobi, Kenya

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**





**II. The Board Of Directors**

 <p>DR. P.K. Munga</p>	<p>He was born in the year 1943. He was appointed on 18<sup>th</sup> October 2019. He is an industrialist and a business man with interests in banking, manufacturing, insurance among others. He has vast experience in both public and private sector and has been contributing immensely to the community in scholarships and other social wellbeing. He is a former chairman of Equity bank and a member of boards of various blue-chip companies. He is the proprietor of Equatorial Industrial Park and Pioneer group of schools among others. He is a qualified Certified Public Secretary (CPSK) and holds many other certificates in management and corporate governance. He is an independent member and the chairman to the board.</p>
 <p>ENG. D. Ng'ang'a</p>	<p>Eng. Daniel Ng'ang'a is the emeritus Chairman of The Water Service Providers Association of Kenya (WASPA), Chairman Molo Technical and Vocational College and the Managing Director of Murang'a Water and Sanitation Company Limited. He has more than Fifteen (15) years experience in the Design, Development and Management of water and sanitation utilities in major towns in Kenya. He holds a Bachelor of Science degree in Civil Engineering from JKUAT, Registered by EBK and an active corporate member of IEK, A Masters of Business Administration (MBA) and a Post Graduate Diploma in Community Development from ABMA (UK).</p>
 <p>H.M. Mwithiga</p>	<p>He was born in 1944. He was appointed on 18<sup>th</sup> October 2019. He has vast experience in both the public and private sector having worked for many years with BAT rising to the post of Area Marketing Manager. He founded and is the current proprietor of Murang'a Tobacco Distributors. He has served in many schools management boards as well as ACK church council committees in various capacities. He holds various post high school certificates in sales, management and corporate governance. He is an independent member. He is the chairman audit and risk management committee of the board.</p>
 <p>S. Karina</p>	<p>She was born in 1981. She was appointed on 18<sup>th</sup> October 2019. She has vast experience in community development and the founder and current director of an NGO called Friends For The Abused People International (FOTAPI). She has also worked in various capacities with: NACADA, ECK, Uwezo Kenya, Joyful Women, Probation office and been a member of school boards. She holds a bachelors degree in social work and administration and has numerous certificates in community development related courses from various institutions. She is an independent member and a member of finance and administration committee of the board.</p>

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

 <p>M. Gichomo</p>	<p>She was born in 1985. She was appointed on 18<sup>th</sup> October 2019. She is a career journalist with experience in journalism and social work. She has also worked as an assistant director at Radio Maria station. She has been involved in various youth development programs and represented the youth in various capacities. She is also a founder member of Murang'a Active Youth Group.</p> <p>She is a diploma holder in Journalism and diverse certificates from various institutions. She is an independent member and a member of Audit and risk management committee of the board.</p>
 <p>P. Kiguta</p>	<p>He was born in 1951. He was appointed on 18<sup>th</sup> October 2019. A career accountant, he has enormous experience in the private sector as well as participated in many social and community development activities. He is currently a partner with Ruhiu &amp; Associates CPAs. He has been the chairman of the Murang'a chapter of the Chamber of Commerce and Industry, organizing secretary of Kikuyu council of elders (Murang'a). He has also served in various capacities in religious organizations.</p> <p>He has various post high school certificates. He left the board in March 2022.</p>
 <p>E. Gathima</p>	<p>He was born in 1972. He was appointed on 18<sup>th</sup> October 2019. He has many years of experience in representing the physically challenged persons and pro-poor in various capacities. He has served in the capacities of treasurer, secretary and chairman in various groups of the physically challenged.</p> <p>He has attained certificates in food production, evangelism &amp; discipleship and computer packages. He is an independent member and a member of finance and administration committee of the board.</p>
 <p>B. Wanjeri</p>	<p>She was born in 1954. She was appointed on 18<sup>th</sup> October 2019. She represents Maendeleo ya wanawake. She is a diploma holder in human resource and guidance and counseling from university of Nairobi. She has also undergone short courses in local government supervisory management and effective supervision course. She has worked as a human resource officer, administrative officer and senior secretary. She left the board in March 2022</p>
 <p>J. Kamwaga</p>	<p>She was born in 1961. She was appointed on 18<sup>th</sup> October 2019. She represents women organizations. She holds certificates in Community rehabilitation, Population management and integrated family life. She has vast experience in Project profile preparation, entrepreneurship and strategic planning. She has experience in civic education and has participated in constitution review process as a district delegate in Bomas of Kenya. She has also worked with various Government agencies, NGOs and private institutions as a consultant and trainer on community empowerment programs. She has also served as a chairperson in various positions including National Council of women of Kenya Kiharu branch, National Council of women of Kenya Murang'a County Chapter, Murang'a county peace Committee and Family Health Options Kenya. She is a member of National Council of Women of Kenya (NCWK). She is an independent member and a member of Finance and administration committee of MUWASCO Board.</p>

**Murang’a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

 S. Njogu	<p>He was born in 1965. He was appointed in the year 2020. He is the current Acting Murang’a Municipal Manager, Murang’a County Government. He is a holder of a Bachelor’s degree in Administration from the University of Nairobi. He also holds numerous local and international Post Graduate certificates from Finland, Singapore and Morocco among others. Currently, he is a student studying law as well as Masters Degree in Public Administration.</p> <p>Mr Njogu has diverse experience in Management in the Public Sector in Kenya. He has over ten years of experience as a town clerk and over seven years as the Deputy Clerk to the Murang’a County Assembly.</p>
 D. Waweru	<p>He was born in 1961. He was appointed in the year 2018. Hon. Wakaba is the CEC Finance, IT and Economic Planning Murang’a County Government. He holds a degree in Bachelor of Commerce from the University of Nairobi. He also holds Advanced Management Program from Strathmore University and the University of Navarra and Post Graduate training with the Marketing Society of Kenya. He has diverse experience in Management gained from numerous years working in senior positions for the Private Sector and Government in Kenya and in the East African Region. Prior to his appointment as the CEC Finance, he held the portfolio of CEC Trade, Commerce and Industrialization</p>
 A. Maina	<p>He was born in 1985. He was appointed in the year 2020. Currently the Chief Officer in charge of Water and Irrigation docket, Murang’a County Government. He holds a Bachelor’s degree in Finance from the Kenyatta University. He also holds several other certificates in Post Graduate trainings. He has varied experience in Management both in the Public and Private Sectors in Kenya and has been an astute businessman. He left the board in February 2022</p>
 G. Kamau	<p>He was born in 1962. He joined the board in February 2022. Hon. Kamau is the CECM in charge of Water, Roads and Infrastructure and represents the County Government of Murang’a. He holds a Master’s degree in Business Administration from JKUAT and a Bachelor of Commerce degree from the University of Nairobi. He is also a Certified Public Accountant (CPAK). He has extensive experience in the manufacturing, finance, investment and insurance sectors spanning over 25 years gained locally and regionally in both the public and private sectors. Previously he was the CECM in charge of Finance, IT and Planning in the County Government of Muranga.</p> <p>He has also been a member of various boards of other diverse Murang’a County entities.</p>

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**




R. Kamina

She was born in 1962. She was appointed to the board on 4<sup>th</sup> March 2022 and represents women organizations. She holds a Master's degree in Education from Kenyatta University, Diploma in Special Education and Diploma in Strengthening Policy Dialogue among other numerous certificates in various fields. She has vast experience in teaching in Special needs Education and community and women empowerment programs. She is currently a Senior Executive Officer at KNUT Headquarters and has previously held various positions in the Kenya National Union of Teachers (KNUT). She is an independent member and a member of Audit and Risk Management committee of MUWASCO Board.

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**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	Commercial 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 Human Resources & Administration
7.	 L. Maina	B.Sc. (Hrm) ,Diploma Business Management(Hrm)	Head Of Monitoring And Evaluation

# Murang'a Water And Sanitation Company Limited

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

### IV. Chairman's Statement

I am pleased to present our annual report and financial statements for the year ending 30th June 2022. Over the year, the company recorded the best performance in key strategic areas emerging third nationally, the best-improved water utility nationally and the best in Athi Water Works Development Agency's region according to the impact report released by the Water Services Regulatory Board . We shall continue investing in value-oriented strategies in order to enhance Universal Water Coverage, Good Corporate Governance, Customer Service, Water Quality, Staff Productivity and Efficient Metering.

### Operating Environment

The year started in high gear with the effects of Covid- 19 pandemic slowing. Regardless of the past hurdles, the pandemic has impacted us in ways that are novel and profound with strict social distancing; a need to operate systems remotely and securely; to better protect on-site workers; unpredictable supply chains; a need to make do with the equipment, chemicals, and tools; with lost revenue due to customers' inability to pay, a need to dip into cash reserves; and with quarantined staff. In addition, all of this while drinking water regulator still expecting compliance and the public still expecting safe and uninterrupted services. The pandemic tested our emergency preparedness as a key piece of our resilience puzzle an area we did not fail. We shall continue assessing and addressing risk areas in order to enhance our operations and maximize returns.

### Expansion Programmes.

Our commitment is anchored in the global sustainable goals, vision 2030 and the Constitution of Kenya. Aware that water and sanitation service are integral to your needs and may impact your livelihood, we are committed to ensuring reliable supply of clean and safe water and sanitation services in a responsive and professional manner. In this regard, we have initiated an all-inclusive programme that aims to ensure total coverage to all in our area of service. After our area of service was earmarked for expansion to cover the whole of the new Murang'a Municipality, we presented water expansion projects to various development partners for consideration. With the rising population, urbanization and metropolitan services and programmes near Murang'a, we have projected that the water and sanitation demand will skyrocket. We have thus proposed a **Ksh 2.2 Billion** water project to Japan International Cooperation Agency (JICA) for funding consideration. The project includes an intake, a treatment plant at Gakoe in Mathioya and a water reticulation system. We also received **Ksh 43.3 Million** under the conditional Liquidity Grant programme funded by the World Bank through Water Sector Trust Fund.

### Financial Performance

I am happy to report another year of continued progress for our company in which our financial performance showed improved growth. Despite the negative impact of the Covid-19 pandemic, our revenues from operating activities in the year rose to **Ksh. 262.5 million** from **Ksh. 210 million** reported in the year 2021. The improved performance has been accentuated by good governance, favourable operating environment and prudent management of resources enabling us to deliver an investment of **Ksh. 47.2 million** in fixed assets from internally generated funds.

# **Murang'a Water And Sanitation Company Limited**

## **Annual Report and Financial Statements for the year ended June 30, 2022**

### **Future Plan**

During the year, we have reached out to County Government of Murang'a, Murang'a Municipality Board, leaders, policy-makers, academia, civil society and entrepreneurs. Through sound engagement with our stakeholders, we have realized that the future in service delivery will only be secured through innovative solutions, which will be realized through a multi-agency approach. We will not rest. Looking ahead, the board will continue supporting investment in new projects to ensure the continued growth of the company and progress towards achieving our mandate. With favourable operating environment and support from our stakeholders and financial partners, we expect to expand our water supply networks to all the residents of Murang'a Municipality and commission a Murang'a Water Institute. These projects will contribute to the growth and prosperity of the people of Murang'a.

### **Tribute**

Finally, I would wish to extend my earnest gratitude to my fellow Directors, the County Government of Murang'a, both Tana and Athi Water Works Development Agencies, the Ministry of Water, Sanitation and Irrigation and all our customers for their support. We intend to continue our efforts, partnering with national and local actors in working for a water-wise company the way we do it best: building and disseminating knowledge, advocating for good water management and offering the highest level of advice. I also thank the management and staff of MUWASCO for their hard work over the financial year.

We are obliged



Dr. P. K. Munga

**Chairman, Board of Directors**

# Murang'a Water And Sanitation Company Limited

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

### V. Report Of the Managing Director

#### Preface

I am pleased to report annual performance of the company for the period ended 30<sup>th</sup> June 2022. Generally, the year has been stable despite the skyrocketing of cost of living, which has affected the country economy as a whole. The continued price increase of fuel and other factors of production have affected the company performance as we were also fighting the negative effects of the global Covid-19 pandemic. Our challenge of high Non Revenue Water has continued to pose as a risk in our operations due to the aged infrastructure, which requires huge investment for renewal.

One of our main strategic goal is to source funding through Public Private Partnership to renew our old infrastructure in order to reduce the Non revenue water to acceptable levels of below 20% from the current 23%. In our proposal, we expect to renew infrastructure in Murang'a CBD and Mukuyu. The demand for water in our area of jurisdiction has increased and we are seeking various ways to increase our daily production capacity to meet the current water demand as well as that of the expanded municipality.

Our company's performance as per Impact report issue No. 14 of 2022 released by WASREB on 24<sup>th</sup> June 2022 ranked us number three (3) overall for the year 2020/2021, The ranking was out of 87 companies countywide. 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.

Through continued Covid-19 vaccination, we have worked with the Murang'a county health department to ensure our staffs have been vaccinated and we are optimistic that the spread of the virus will be contained and it will have minimal effects in our operations in the future.

#### Company performance

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

No.	ITEM	2019 /2020	2020 /2021	2021 /2022
1	Total Billings (Kshs in Millions)	195.7	210	262.6
2	Operating Exp (Kshs in Millions)	196.7	235	274
3	Capital Exp (Kshs in Millions)	12.5	52	48
4	Number of active water Connections	14,073	15,065	16,455
5	Number of active sewerage Connections	5,424	5,866	6,320

The performance of the company has continued to improve and during the financial year 2021-2022, we were able to increase the active water connections by 1,390 connections.

#### Projects

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

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

No.	Project	Source of Fund	Amount
1	Water Extensions	Internal	26 Million
2	Motor vehicle	Internal	12.8 Million
3	Office furniture's, Equipments and Computers	Internal	3.7 Million
4	Extension of Water and Sewerage	CLSG-WSTF	12.2 Millions
5	Customer care office, Security and office partitioning	Internal	0.9 Millions
6	Sewerage extensions	Internal	4 Million
7	Water Meters	AWWDA	4 Millions

### **Challenges**

During the year we were not able to implement our new cost recovery tariff as the same had not been gazzeted by WASREB. Most of the sectors had not fully recovered from the effects of Covid-19 and hence the consumption of our services for the year was not as anticipated .Some of our major consumers like hotels and learning institutions were the most affected.

### **Appreciation**

I take this opportunity to thank our Board of directors for their guidance in policy formulation and strategic directions towards achieving our vision. This would go in hand with the management efforts and entire staff members of MUWASCO who have executed the strategies to enabling us attain what we have achieved in the year 2021/2022. It is my belief that we will achieve much more through your commitment and dedication. I am confident that we have all what it takes to utilize the significant opportunities we have as well as mitigate the risks that lie before us.

My gratitudes go to the County Government of Murang'a, all MUWASCO stakeholders, TWWDA, WASREB, AWWDA, W.S.T.F, Ministry of Water, Sanitation & Irrigation, our development partners and other institutions who supported us financially or otherwise.

For those others who have given us support of any kind be it moral or otherwise, we thank you for it and we look forward in working together even in the future.



Eng. D. Ng'ang'a  
**MANAGING DIRECTOR**

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**VI. Statement Of Performance Against Predetermined Objectives for FY 2021/2022**

Muranga Water and Sanitation Company has strategic pillars and objectives within its strategic plan for the financial year 2020/2021 to 2024/2025. These annual reports and financial statements for the financial year 2021/2022 are prepared in the second year of the strategic plan. The strategic pillars to be addressed in the current strategic plan are:

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

Muranga Water and Sanitation Company develops its annual work plans based on the above 6 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The company has achieved its performance targets set for the financial year 2021/2022 period for its strategic pillars, as indicated in the diagram below.

<b>PILLAR 1</b> Enhance financial health and institutional sustainability	<b>Strategy</b>	<b>Strategic plan target</b>	<b>Extent of implementation</b>
Strategy 1	Reduce NRW	Reduce to 23 %	24%
Strategy 2	Train staff on NRW	3 trainings per year	No. 3 training held in the year (100%)
Strategy 3	Enhance resource mobilization	2 donations per year	2 donations ie from Athi & W.S.T.F
Strategy 4	Adhere to budgetary lines	As stipulated in the annual budgets	82% adhered to
Strategy 5	Enhance resource conservation through ERP	Functional ERP installed	Partially installed (50%)
Strategy 6	Cost optimization	As stipulated in the annual budgets	Some costs optimised
Strategy 7	Prepare, implement and review annual work plan	Reviewed annual work plan in place	Annual work plan developed and reviewed
Strategy 8	Prepare and implement resource mobilization strategies and policies	Strategies and policies in place	Strategies and work plans in progress
Strategy 9	Review service tariffs to sustainable levels	Cost recovery tariffs	Reviewed but not gazetted
Strategy 10	Improve revenues through additional revenue streams	New revenue streams	No additional revenue streams

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

	<b>Strategy</b>	<b>Strategic plan target</b>	<b>Extent of implementation</b>
<b>PILLAR 2:</b> Adoption of technology and innovation			
Strategy 1	Digitization of customer care by procuring querying Application	Functional querying App	Software in place but App pending. -70% done
Strategy 2	Automate key operations including FBIL, treatment works	Functional automated operations	45 % done
Strategy 3	Implement an organization wide ERP system	Functional ERP system	50 % done
Strategy 4	Diversification of product and service portfolio	2 new products	No new product or service
Strategy 5	Automate disconnection and reconnection	Functional automated disconnection and reconnection	70 % done
Strategy 6	Integration of management systems and software	IMS in place	45 % done

	<b>Strategy</b>	<b>Strategic plan target</b>	<b>Extent of implementation</b>
<b>PILLAR 3:</b> Human capital development and support			
Strategy 1	Conduct baseline strategic skills and competence audit	Audit reports	95 % done
Strategy 2	Develop long term human capital plans	Documented human capital plans	90 % done
Strategy 3	Undertake job evaluation, job analysis and design	Job evaluation, analysis and design reports	95 % done
Strategy 4	Conduct continuous and structured training needs assessment	Assessment reports	Assessment partially done 50%
Strategy 5	Conduct trainings and development initiatives	1 training per year	Trainings done 80 %
Strategy 6	Undertake training impact assessments	Training assessment report	60 % done
Strategy 7	Enhance employee relations	No negative employee relations cases	No negative employee relations cases
Strategy 8	Review and implement HR policy manual	Documented reviewed HR policy manual	Reviewed- 100% done
Strategy 9	Enhance employee welfare programmes	1 progrm per year	Welfare association and medical cover in place

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

Strategy 10	Standardize HR operations to global standards	Standardize according to global HRM standards	In progress
Strategy 11	Create departmental assistant positions	Reviewed organogram	Done - 90 % done
Strategy 12	Undertake teambuilding activities	1 teambuilding per year	Not done due to covid 19 pandemic

<b>PILLAR 4:</b> Customer and stakeholder relations management	<b>Strategy</b>	<b>Strategic plan target</b>	<b>Extent of implementation</b>
Strategy 1:	Lobby for review of restrictive water legislations	Reviewed legislations in place	WASPA active member
Strategy 2:	Lobby for merger of WSPs in Murang'a	Merged water companies	Not done
Strategy 3	Prepare policy guidelines on IPs/stakeholders relation management	Policy developed and implemented	In progress
Strategy 4	Increase water and sewerage connections	Increase by 14 %	Increased by 10%
Strategy 5	Reach out the unserved areas	1 unserved area per year	Increased connections at Kabuta, Kambirwa, ngaru
Strategy 6	Conduct customer awareness clinics	1 clinic per year	Several clinics held including visiting churches.
<b>PILLAR 5:</b> Standization of key management systems and processes to world class standards	<b>Strategy</b>	<b>Strategic plan target</b>	<b>Extent of implementation</b>
Strategy 1:	Attain ISO 9001 QMS compliance certification	ISO certificate	In progress-75% attained
Strategy 2:	Construct micro biological lab at Karie t/w	Operational lab	Not in place-looking for funding
Strategy 3	Standardize water and microbiological laboratory	Standardized against international testing standards	Not done looking for funding
Strategy 4	Improve infrastructure for operations	Improvement on equipments,,transport and ict	In progress
Strategy 5	Establish an integrated institutional risks & opportunities management system	Policy in place and implemented	In progress
Strategy 6	Compliance with local regulatory & statutory requirements	No non compliance cases	No non compliance case
Strategy 7	Standardization against occupational safety, OSH & food and safety.	Implement OSHE systems	In progress-60% attained.

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

<b>PILLAR 6:Infrastrure development &amp; work environment improvement</b>	<b>Strategy</b>	<b>Strategic plan target</b>	<b>Extent of implementation</b>
Strategy 1:	Increase raw water intake	Increased volume	Increased from 261,671 to 268,420
Strategy 3	Improve fleet and transport infrastructure	New motorbikes/vehicles	1 Motor vehicle procured
Strategy 4	Improvement of office facilities	Improved offices	Customer care and revenue offices improved
Strategy 5	Purchase of survey equipments	Survey equipment available and in use	In progress-60% attained
Strategy 6	Procure effective customer billing system	System in use	Procured-100%
Strategy 7	Procure stores management software	Software in place	Procurement of ERP is in progress
Strategy 8	Separate stores from procurement	Separated stores from procurement	In progress

# Murang'a Water And Sanitation Company Limited

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

### VII. Corporate Governance Statement

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

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

#### Board of Directors

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

#### Board meetings

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

TYPE OF MEETING	NO.
Full Board Meeting	3
Finance and Admin Committee Meeting	3
Audit Committee Meeting	3
Annual General Meeting	1
Adhoc	1
<b>Total</b>	<b>11</b>

#### Board committees

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

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

#### Audit and risk management committee

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

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

# Murang'a Water And Sanitation Company Limited

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

### Corporate Governance Statement(Continued)

#### Finance and administration committee

The committee comprises of three non executive directors and C.E.O Tana Water Works Development Agency as an ex-official. The committee is chaired by a non-executive director and meets four times a year. The role of the committee is to monitor and review the operational and financial performance of the company against key performance indicators, identifying shortcomings and ensuring corrective measures and actions are taken. The committee also reviews the company's investment plans in capital expenditure and recommends to the board for approval. The committee has also the responsibility of ensuring that the systems of financial controls are effectively administered.

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

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

#### Technical committee

The committee comprises of three non executive directors and C.E.O Tana Water Works Development Agency as an ex-official. The committee is chaired by a non-executive director and meets four times a year. This committee oversees planning, coordination and execution of development and rehabilitation projects to ensure expansion of reticulation system and to improve efficiency in water production and distribution including sewerage network

#### Directors' Remuneration

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

#### Attendance of Board meetings

DATE	MEETING	P.K MUNGA	H.M MWITHIGA	P.KIGUTA	ESTON GATIMA	SUSAN PERIS KARINA	MONICA W GICHONIO	BEATRICE WANJERI	JANE KAMWAGA	ROSALINE KAMINA	C.E.O TWDDA	CEC WATER	CEC FINANCE	TOWN MANAGER
09/21/21	FINANCE & ADMIN COMMITTEE			✓	✓	✓			✓					
09/21/21	AUDIT COMMITTEE		✓				✓	✓						
09/29/21	FULL BOARD		✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓
01/18/22	FINANCE & ADMIN COMMITTEE			✓	✓				✓		✓			
01/18/22	AUDIT COMMITTEE		✓				✓	✓			✓			
01/21/22	FULL BOARD	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓
03/04/22	A.G.M	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓
05/23/22	FINANCE & ADMIN COMMITTEE				✓	✓			✓					
05/23/22	AUDIT COMMITTEE		✓				✓							
05/25/22	FULL BOARD	✓	✓		✓	✓	✓		✓	✓	✓	✓		✓
06/07/22	ADHOC COMMITTEE				✓				✓				✓	✓

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Corporate Governance Statement (Continued)**

**Process of appointment and removal of directors**

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

**Induction and training**

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

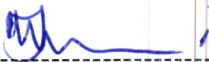
**Ethics and conduct of directors**

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

**Going concern**

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

SIGNED:



CHAIRMAN

  
MANAGING DIRECTOR

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**VIII. Management Discussion And Analysis**

**SECTION A**

**The entity's operational and financial performance**

No.	ITEM	2020/2021	2021/2022
1	Total Billings (Kshs in Millions)	213.6	262.5
2	Operating Exp (Kshs in Millions)	235	274.2
3	Capital Exp (Kshs in Millions)	52	47.9
4	Number of Active Water Connections	15,065	16,455
5	Number of Active Sewerage connections	5,866	6,320
6	Non-revenue	25%	24%

**SECTION B**

**Entity's compliance with statutory requirements**

Murang'a water and sanitation company complies with various statutory requirements and the 10<sup>th</sup> AGM was held on Friday the 4<sup>th</sup> March 2022.

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

**Management Discussion And Analysis (Continued)**

**PROPOSED PROJECTS**

No	Project	Financed by	Sustainability	Approximated cost
1	St Mary's sewer extension project	Murang'a County Government	-The project will increase sewer connections hence increased revenues.	52,250,000
2	Kambwe sewer extension project	Murang'a County Government	-The project will increase sewer connections hence increased revenues.	47,400,000
3	Kiawambeu augumentation water project	Aid on delivery applied	The project will increase the production capacity per day hence more supply to the increasing population and demand.	149,575,248
4	Kayahwe-Maragua Ridge water project	AWWDA proposal	The project will increase supply to unserved areas.	194,882,732
5	Karichiungu water project	Aid on delivery applied	The project will increase supply to unserved areas.	89,645,989
6	Murag'a CBD Mukuyu and Mumbi overhaul	AWWDA proposal	The project will increase supply to unserved areas.	250,250,129
7	Lower Murang'a extensions	Aid on delivery applied	The project will increase supply to unserved areas.	167,835,125
8	New Murang'a Municipality B/Water	Development partner	The project will increase supply to unserved areas.	2,069,634,659
9	New Murang'a Municipality sewerage	Development partner	The project will increase sewer connections hence increased revenues.	1,667,652,183

**SECTION D**

**MAJOR RISKS FACING THE ENTITY**

**Operation risks**

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

**Market Risks**

The company has no outstanding loan hence the market risk is assessed to be low.

**Credit Risks**

The company supplies water on credit and gives the consumers a period of 14 days to clear their bills. Not all consumers are able to clear their bills within the credit period given and this give rise to credit risk. At the end of the year, the trade debtors amounted to Ksh 91,000,925 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

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

debts and a general provision of 10% of the net balance.

**Liquidity Risk**

The company has various obligation and liabilities as outlined in note 22, 24 and 25 of the accounts. The company manages liquidity risks by maintaining banking facilities through continuous monitoring of forecast and actual cash flow.

**SECTION E**

**Material arrears in statutory/financial obligations**

The company has accumulated administrative fees owed to Tana Water Works Development Agency Amounting to Kshs 49,458,717. Other trade creditors amounted to Ksh. 81,588,132

**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

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

### **IX. Environmental And Sustainability Reporting**

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

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

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

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

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

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

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

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

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

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

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

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

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

Development of a strong relationship with suppliers helps in ensuring that suppliers of essential supplies and contracts are fair and business conducted together are mutually beneficial. We have

## **Murang'a Water And Sanitation Company Limited**

### **Annual Report and Financial Statements for the year ended June 30, 2022**

supplier strategy, supply chain policy and code of conduct that set out the standards we expect from suppliers business ethics, human rights and environmental management. The company at all times obtains value for money spent on procurement by ensuring that only those items needed are bought; that these items are of good quality and that they are stored appropriately to preserve their quality.

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

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

#### **d) Product stewardship**

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

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

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

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

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

Our pro-poor connection policy has continued changing lives and livelihoods. This year, we have connected over 120 needy water connections through our rural poor program (RPP). The water connections worth **Ksh 720,000** have been financed internally in order to enhance connectivity and universal access to water. In the spirit of good corporate citizenship, we donated foodstuffs, water storage tanks and blankets to 50 old and vulnerable families worth **Ksh 600,000** within our area of service. Indeed we joined Can do Kids international who constructed two water storage tanks worth **Ksh.10 Million**.



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

**MANAGING DIRECTOR**

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**X. Report Of the Directors**

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The Board of Directors has the pleasure in submitting their annual Report and Financial Statements for the period ended 30<sup>th</sup> June 2022.

**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 37,167,614** as set out on page one of the accounts.

**Dividends**

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 vi to ix 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

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

Signature... 

Date...28/09/2022

Secretary to the Board

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**XI. Statement Of Directors' Responsibilities**

Section 81 of the Public Finance Management Act, 2012 and Section 636 of the Companies' Act, 2015 requires the Board of Directors to prepare financial statements for each year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the results of the activities for that year. It also requires the Board to ensure that the Company maintains proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Board is also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on 30<sup>th</sup> June 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the 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, 2022, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

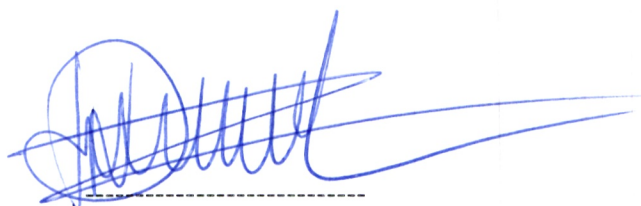
**Approval of the financial statements**

The company's financial statements were approved by the Board on 28<sup>th</sup> September 2022 and signed on its behalf by:

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



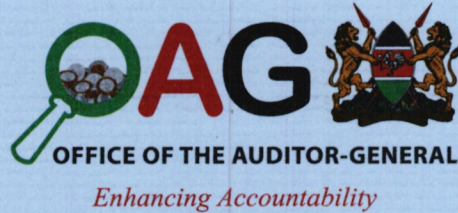
**DR. P.K MUNGA**  
**CHAIRMAN**



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

# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON MURANG'A WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Murang'a Water and Sanitation Company Limited set out on pages 1 to 25, which comprise the statement of financial

position as at 30 June, 2022 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Murang'a Water and Sanitation Company Limited as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

## **Basis for Qualified Opinion**

### **1.0 Long Outstanding Payables**

The statement of financial position reflects trade and other payables balance of Kshs.131,046,849 which, as disclosed in Note 25 to financial statements, includes accrued bills amount of Kshs.61,673,731. However, as previously reported, the latter amount includes levies totalling to Kshs.49,458,717 between February, 2017 and July, 2018 owed to Tana Water Service Board (TWSB). In addition, the trade and other payables balance includes Kshs.1,812,500 in respect of provision for audit fees out of which Kshs.1,550,000 relates to 2020/2021 and earlier years. The Company has continued to classify the unpaid amounts for financial year 2020/2021 and earlier periods under current liabilities. Further, the trade and other payables balance includes Kshs.21,221,826 in respect of supplier creditors out of which creditors totalling to Kshs.17,862,864 have been outstanding for over 90 days without being cleared by the Company.

In the circumstances, the accuracy of reported trade and other receivable balance and the validity of the long outstanding payables could not be confirmed. Further, the Company risks legal suits which may lead to avoidable additional costs due to litigations, fine, penalties and interest.

### **2.0 Long Outstanding Receivables**

The statement of financial position reflects receivables balance of Kshs.127,826,650 which, as disclosed in Note 17 to financial statements, includes trade receivables balance of Kshs.80,074,491 net of provision for doubtful debts of Kshs.10,926,434. However, the trade receivable balance includes debts amounting to Kshs.71,894,638 relating to the financial year 2020/2021 and earlier periods. Further, the receivable balance includes other receivables balance of Kshs.46,495,407 out of which an amount Kshs.23,838,555 is in respect of VAT receivables from Kenya Revenue Authority that have been

outstanding since 2018 and Kshs.18,353,069 in respect to receivables from a local company that have been outstanding for a considerably long period of time and thereby appears unrecoverable.

In the circumstances, the accuracy and recoverability of reported trade receivables of Kshs.80,074,491 and other receivables of Kshs.46,495,407 could not be confirmed.

### **3.0 Misclassified Investments**

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

In the circumstances, the accuracy, existence and ownership of the reported investment balance of Kshs.20,488,369 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Murang'a Water and Sanitation Company Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

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

### **Other Matter**

#### **Unresolved Prior Year Audit Issues**

The progress on follow up on Auditor's recommendations section of the financial statements reflects that the issues raised in previous year's audit report remain unresolved as at 30 June, 2022. No satisfactory explanations were provided for not resolving the issues.

In the circumstances, the issues remained unresolved.

## **Other Information**

The Directors are responsible for the other information, which comprises the Chairman's Statement, Report of the Managing Director, Review of the Company's Performance for financial year 2021/2022 against the Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and the Statement of Directors' Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1.0 Staff Costs**

##### **1.1 Non-Compliance with a Third Rule on Salary Deductions**

As previously reported, review of the Company's June payroll revealed that thirty six (36) staff had net salaries falling below a third of their basic pay contrary to section 19(3) of the Employment Act, 2007 which stipulates that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages.

##### **1.2 Staff Ethnic Diversity**

As previously reported, review of staff records revealed the Company has one hundred and fifty-eight (158) staff out of whom, one hundred and thirty-one (131) or 83% of the total number were members of the dominant ethnic community in the county. Further, the Board of Directors of the Company consisted of nine (9) directors who all belonged to one dominant ethnic community contrary to provisions of Section 65(e) of the County Government Act, 2012 which requires County Governments to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county.

### **1.3 Staff Cost in Excess of the Recommended Threshold**

The statement of profit or loss and other comprehensive income reflects staff cost of Kshs.123,173,567 representing approximately 45% of total expenditure of Kshs.274,395,264 for the year under review. However, as previously reported, this is higher than the recommended limit of 35% for large companies where the water service provider has been categorized as recommended by Section 3.9(10) of Water Services Regulatory Board (WASREB) Corporate Governance Guidelines, 2018.

### **1.4 Lack of Approved Salary Structure for Top Management**

The statement of profit or loss and other comprehensive income reflects staff cost of Kshs.123,173,567 as disclosed in Note 9 to the financial statements, out of which Kshs.15,281,643 relates to salaries paid to top Management as per Note 27, related party disclosures. However, the Company did not provide an approved salary structure/scheme from the Salaries and Remuneration Commission (SRC) in support of payment of salaries to the top managers. This is contrary to paragraph 11(c) of the Salary and Remuneration Act, 2011 which require that in addition to the powers and functions of the Commission under Article 230(4), the Commission shall advise the national and county governments on the harmonization, equity and fairness of remuneration for the attraction and retention of requisite skills in the public sector.

### **1.5 Irregular Payment of House Allowances**

As disclosed in Note 9 to the financial statements, the staff cost balance of Kshs.123,173,567 includes house allowance amount of Kshs.21,125,034 out of which Kshs.11,981,984 was paid to various officers in excess of the rates recommended by the Salaries and Remuneration Commission (SRC) contrary to circular Ref. No: SRC/TS/MDP/3/1/2 (2) dated 11 August, 2015 on implementation of the revised house allowance in the public service.

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

### **2.0 Misclassification of Expenditure**

The statement of profit or loss and other comprehensive income reflects administrative expenses balance of Kshs.50,376,537 which, as disclosed in Note 10 to the financial statements includes subsistence allowances balance of Kshs.12,920,702. However, the latter balance includes expenditure totalling Kshs.4,077,814 in respect of payment for incentives, expenditure on Christmas party and payment of standby and late allowances that do not relate to daily subsistence. This is contrary to Regulation 99(1) of the Public Finance Management (County Government) Regulations, 2015, which stipulates that as a general rule, the classification of financial transactions in County government entity's accounts shall be based on the standard chart of accounts approved by the County Treasury.

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

### **3.0 Failure to Update Water Tariff Structure**

The water tariffs charged by the Company were approved by Water Services Regulatory Board (WASREB) and gazetted through Kenya Gazette notice on 23 May, 2014. However, a review of gazette notice number 3462 revealed that the approved water tariff adjustment related to water tariff structure for the period 2014/2015 and 2015/2016 but have remained without adjustment to date. This is contrary to provisions of Section 72(1)(a) of Water Act, 2016 which states that the power and functions of Regulatory Board shall be to evaluate and recommend water and sewerage tariffs to the County Water Services Providers and approve the imposition of such tariffs in line with consumer protection standards.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements 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**

##### **1.0 Irregular Borrowing from Customers Deposit Account**

As disclosed in Note 25 to the financial statements, the trade and other payables balance of Kshs.131,046,849 includes customers' deposits amount of Kshs.35,833,270. However, as reported in the previous year, the certificate of bank balance for the customer deposit account reflects a balance of Kshs.711,434. The resulting difference of Kshs.35,121,836 being customers' deposit borrowed by the Company without a clear guideline or policy indicating utilization and how the amount will be refunded to the customers' deposit bank account.

In the circumstances, the borrowing of Kshs 35,121,836 from the Customers deposit account is irregular.

## **2.0 Lack of Data Recovery Plan**

The Company did not have a data recovery strategy plan in place to safeguard it in case of unforeseen eventualities.

In the circumstances, the Company is not well prepared for disaster recovery and future occurrences are not anticipated and planned for.

## **3.0 Failure to Tag Assets**

Physical verification of the Company's assets revealed that furniture, office lab equipment and computers were not tagged and did not bear serial numbers that could be matched with the fixed assets register for ease of identification.

In the circumstances, the Company's assets are exposed to the risk of misuse or loss.

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

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

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

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

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

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

In preparing the financial statements, Management is responsible for assessing the 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 the Management is aware of the intention to liquidate the Company or to cease operations.

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

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

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

09 March, 2023

**XIII. Statement Of Profit or Loss & Other Comprehensive Income For The  
Year Ended 30 June 2022**

<b>REVENUE</b>	<b>NOTES</b>	<b>2021/2022 ( Kshs)</b>	<b>2020/2021 ( Kshs)</b>
Revenue Grants	6	45,036,274	39,570,807
Operating Revenue	7	261,745,623	213,571,944
Other incomes	8	4,780,981	5,104,018
		<b>311,562,878</b>	<b>258,246,769</b>
 <b>EXPENDITURE</b>			
Staff cost	9	123,293,567	118,265,096
Administration expenses	10	50,376,537	44,595,840
Production and maintenance expenses	11	56,352,769	39,446,659
General And Operating Expenses	12	12,798,171	5,027,726
Disallowed VAT receivable	13	-	1,868,661
Depreciation and amortization	14 and 15	26,682,263	23,023,785
Board expenses	16	4,881,054	2,807,988
Finance cost	22	10,903	384,682
		<b>274,395,264</b>	<b>235,420,437</b>
 <b>SUPRLUS FROM OPERATING ACTIVITIES</b>		 37,167,614	 22,826,332
<b>TAX</b>		<b>-</b>	<b>-</b>
<b>TOTAL SURPLUS</b>		<b>37,167,614</b>	<b>22,826,332</b>

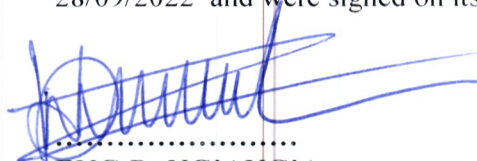
\*Prior year administration costs has been restated to report board expenses separately

Murang'a Water And Sanitation Company Limited  
Annual Report and Financial Statements for the year ended June 30, 2022

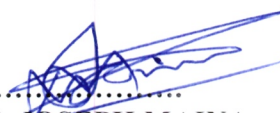
**XIV. Statement Of Financial Position As At 30 June 2022**

ASSETS	NOTES	2021/2022 Kshs	2020/2021 Kshs
<b>Non Current Assets</b>			
Property, plant and equipment	14	308,747,726	278,057,365
Intangible assets	15	640,325	114,688
<b>Total Non-Current Asset</b>		<b>309,388,051</b>	<b>278,172,053</b>
<b>Current Assets</b>			
Receivables	17	127,826,650	110,159,302
Bank and cash balances	18	9,565,302	9,496,401
Inventory	19	18,367,179	15,713,418
Investment in subsidiary	20	20,488,369	20,488,369
<b>Total Current Assets</b>		<b>176,247,500</b>	<b>155,857,490</b>
<b>TOTAL ASSETS</b>		<b>485,635,551</b>	<b>434,029,543</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital And Reserves</b>			
Capital reserves	21	33,275,181	33,275,181
Revenue reserves	22	180,508,384	143,340,770
<b>Total Capital and Reserves</b>		<b>213,783,565</b>	<b>176,615,951</b>
<b>Non-Current Liabilities</b>			
Deferred income	24	128,953,061	109,051,761
<b>Total Non-Current Liabilities</b>		<b>128,953,061</b>	<b>109,051,761</b>
<b>Current Liabilities</b>			
Loan principal payable	23	-	385,375
Interest on loan	23	-	250,635
Deferred income	24	9,513,175	9,638,071
Trade and other payables	25	131,046,849	135,748,849
Tax payable	26	2,338,901	2,338,901
<b>Total Current Liabilities</b>		<b>142,898,925</b>	<b>148,361,831</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>485,635,551</b>	<b>434,029,543</b>

The financial statements on pages 1-27 were approved by the board of directors on 28/09/2022 and were signed on its behalf by:



ENG.D. NG'ANG'A  
MANAGING DIRECTOR



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



DR P.K MUNGA  
CHAIRMAN

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**XV. Statement Of Changes In Equity For The Year Ended 30 June 2022**

	NOTES	CAPITAL RESERVES (Kshs)	REVENUE RESERVES ( Kshs)	TOTALS ( Kshs)
Balance at 1 <sup>st</sup> July 2020		33,275,181	120,514,438	153,789,619
Surplus for the year	22	-	22,826,332	22,826,332
<b>Balance at 30<sup>th</sup> June 2021</b>		<b>33,275,181</b>	<b>143,340,770</b>	<b>176,615,951</b>
<b>Balance at 1<sup>st</sup> July 2021</b>		<b>33,275,181</b>	<b>143,340,770</b>	<b>176,615,951</b>
Surplus for the year	22	-	37,167,614	37,167,614
<b>Balance at 30<sup>th</sup> June 2022</b>		<b>33,275,181</b>	<b>180,508,384</b>	<b>213,783,565</b>

Murang'a Water And Sanitation Company Limited  
Annual Report and Financial Statements for the year ended June 30, 2022

**XVI. Statement Of Cashflow For The Year Ended 30 June 2022**

		2021/2022	2020/2021
		(Kshs)	(Kshs)
<b>Cash Flows from operating activities</b>	<b>Notes</b>		
Surplus generated from operating activities	22	37,167,614	22,826,332
<b>Adjustment for: Non cash items</b>			
Depreciation and amortisation	14,15	26,682,263	23,023,785
Amortisation of capital grants	6,24	(9,513,175)	(8,509,702)
Provision for bad debts	10	1,490,950	589,648
<b>Adjusted Surplus From operating Activities Before Working Capital changes</b>		<b>55,827,652</b>	<b>37,930,063</b>
<b>Changes in working capital</b>			
(Increase)/(Decrease) in inventory	19	(2,653,761)	(5,160,131)
(Increase)/(Decrease) in receivables	17	(19,158,298)	(1,560,174)
Increase /(Decrease) in short term liabilities	23,25,26	(5,338,010)	11,828,941
<b>Net cash flows From Operating Activities</b>		<b>28,677,582</b>	<b>43,038,699</b>
<b>Cash flows from Investing Activities</b>			
Purchase of P.P.E and Intangible asset	14, 15	(57,898,260)	(59,303,115)
Disposal of motor vehicle			
<b>Net Cash flows from investing activities</b>		<b>(57,898,260)</b>	<b>(59,303,115)</b>
<b>Cash flows from Financing Activities</b>			
Deferred income	24	29,289,579	24,402,147
<b>Net Cash flows from Financing Activities</b>		<b>29,289,579</b>	<b>24,402,147</b>
Net Decrease/increase in cash & cash equivalents		68,901	8,137,731
Cash and Cash equivalent at start of year		9,496,401	1,358,670
<b>Cash and Cash equivalents at end of year</b>	18	<b>9,565,302</b>	<b>9,496,401</b>

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**XVII. Statement Of Comparison Of Budget And Actual Amounts For The  
Period Ended 30 June 2022**

	Actual	Budget	budget reviews	reviewed budget	Variance	Variance(%)	Explanation of material variances
	K.Shs	K.Shs			K.Shs		
<b>INCOME</b>							
Revenue							
Water billings	178,368,151	186,996,212	-	186,996,212	8,628,061	5	
Sewer billings	43,626,547	49,461,762	-	49,461,762	5,835,215	12	Fewer sewer connection
meter rent	9,589,250	8,853,000	-	8,853,000	(736,250)	(8)	
Other billings/incomes	34,942,656	30,000,000	-	30,000,000	(4,942,656)	(16)	increased revenue on new connection
<b>Total Income</b>	<b>266,526,604</b>	<b>275,310,974</b>	<b>-</b>	<b>275,310,974</b>	<b>8,784,370</b>	<b>3</b>	
<b>EXPENSES</b>							
Salaries	96,708,658	97,532,858		97,532,858	824,200	1	
Casual wage	981,250	1,496,880		1,496,880	515,630	34	Engagement of attachees
Leave allowance	3,183,208	3,435,410		3,435,410	252,202	7	
N.S.S.F co. contribution	311,600	304,800		304,800	(6,800)	(2)	
Pension	4,035,994	3,903,192		3,903,192	(132,802)	(3)	
staff medical insurance	11,013,023	11,013,023		11,013,023	-	-	
Training	2,433,400	1,709,200		1,709,200	(724,200)	(42)	more staff trained on emerging issues on water sector
Gratuity expense	3,753,038	4,109,916		4,109,916	356,878	9	
Subsistence allowances	12,920,702	6,701,360	5,000,000	11,701,360	(1,219,342)	(10)	Facilitation cost during official meetings
Telephone, e-mail, & mobile phone services	2,648,386	2,808,000		2,808,000	159,614	6	
Courier & postal services	16,050	63,600		63,600	47,550	75	Use of emails
Travel costs	987,460	540,000	50,000	590,000	(397,460)	(67)	fluctuation of bus fare due to covid 19 protocol
Newspapers, magazines periodicals	27,640	150,720		150,720	123,080	82	reduced supply when user department are away
Advertising	859,558	2,320,000		2,320,000	1,460,442	63	corporate identity adverts not yet done

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

Water abstraction fee-WARMA	609,790	600,000		600,000	(9,790)	(2)	
Catering services	499,119	120,000	250,000	370,000	(129,119)	(35)	resumption of catering services to all staff
Directors expenses meetings, conferences & seminars	4,881,054	3,957,204		3,957,204	(923,850)	(23)	B.O.D study tour
Insurances	1,661,034	1,200,000		1,200,000	(461,034)	(38)	more work related meetings held
General office supplies	1,586,705	1,800,000		1,800,000	213,295	12	new motorbike not yet procured
Contracted guards services	9,716,431	3,965,000		3,965,000	(5,751,431)	(145)	high cost of printing papers
Membership and subscriptions	1,395,239	1,392,000		1,392,000	(3,239)	(0)	
Legal dues/fees	297,885	518,000		518,000	220,115	42	Few members registered on various professional bodies
Licences and permits	4,436,700	1,500,000	2,500,000	4,000,000	(436,700)	(11)	
Maintenance expenses-motor vehicles & cycles	105,600	400,000		400,000	294,400	74	NEMA licence not yet paid
Chemicals & reagents	14,254,083	10,920,000	4,000,000	14,920,000	665,917	4	
Electricity	6,551,502	5,602,050	2,500,000	8,102,050	1,550,548	19	Increase on chemical prices
Staff uniforms	3,534,752	2,300,000	500,000	2,800,000	(734,752)	(26)	KPLC billing tariff adjusted upward & borehole bill
Operation and maintenance	3,054,100	1,650,000		1,650,000	(1,404,100)	(85)	high cost of wasco games uniforms
WASREB levy	45,656,725	32,445,000	10,000,000	42,445,000	(3,211,725)	(8)	
Bank service commission & charges	2,555,613	2,160,000		2,160,000	(395,613)	(18)	increased revenue
Professional services	147,886	261,000		261,000	113,114	43	use of internet banking
Sundry expenses and donations	1,673,800	3,112,500		3,112,500	1,438,700	46	kenao fees not yet paid
Total expenditure	406,367	410,000	50,000	460,000	53,633	12	increase on student fees
<b>Surplus for the period</b>	<b>242,904,352</b>	<b>210,401,713</b>	<b>24,850,000</b>	<b>235,251,713</b>	<b>(7,652,639)</b>	<b>(3)</b>	
	<b>23,622,252</b>			<b>40,059,261</b>	<b>16,437,009</b>	<b>41</b>	
RECONCILIATION: ITEMS NOT IN THE BUDGET							
Depreciation	(26,682,263)						

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

Provision for bad debts	(1,490,950)						
Amortization	9,513,175						
Finance cost	(10,903)						
revenue grants	32,216,303						
<b>Profit before taxation</b>	<b>37,167,614</b>						
<b>CAPITAL EXPENDITURE</b>							
Water and sewer network	22,042,802	21,110,000		21,110,000	(932,802)	(4)	
meters and accessories	9,022,400	11,244,400		11,244,400	2,222,000	20	depends with no.of new connection
furniture and fittings and equipments	3,151,594	1,000,000	300,000	1,300,000	(1,851,594)	(142)	Need to replace the broken office chairs
motor vehicle & cycles	12,780,000	7,531,000	7,500,000	15,031,000	2,251,000	15	financial constraints
computers and computer networking	575,000	1,850,000		1,850,000	1,275,000	69	financial constraints
NRW management equipments	-	1,000,000		1,000,000	1,000,000	100	financial constraints
karichiungu-kiharu raw water project	-	89,645,989		89,645,989	89,645,989	100	project not started
call centre	-	3,000,000		3,000,000	3,000,000	100	financial constraints
buildings	916,800	-	1,000,000	1,000,000	83,200	8	
<b>Total</b>	<b>48,488,596</b>	<b>136,381,389</b>	<b>8,800,000</b>	<b>145,181,389</b>	<b>96,692,793</b>	<b>67</b>	

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

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**XVIII. NOTES TO THE FINANCIAL STATEMENTS**

**1. General Information**

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

**2. Statement Of Compliance And Basis Of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the entity's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4b,4c,4d,4l

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

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

**3. Application Of New And Revised International Financial Reporting Standards**

(i) New and amended standards and interpretations in issue effective in the year ended 30<sup>th</sup> June 2022

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

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

New and Amendments to standards	Effective for annual period
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 1 — Presentation of Financial Statements	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30<sup>th</sup> June 2022.

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

(iii) Early adoption

The company did not early adopt any new or amended standards in financial year 2021-2022

**4. Summary Of Significant Accounting Policies**

**a. Revenue Recognition**

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

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

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

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

**b. Property ,Plant and Equipment**

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

**c. Depreciation, Impairment And Amortization Of Property, Plant And Equipment**

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

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

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

Amortization is provided for the intangible assets like computer software.

**d. Reserves**

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

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

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

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

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

**e. Retirement benefits**

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

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

**f. Taxation**

The company water services(Water & sewer) are exempt,while meter rent is charged VAT at a rate of 16% and the company pays income tax at the rate of 30%.

**g. Related party transactions**

Funds and other grants received from the government are disclosed under note 23.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 26.

**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.

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

**l. Provision for doubtful debts**

At the end of financial year the trade debtors amounted to Ksh.91,000,925 and the highest percentage was owed by the Government institutions and the default risk is assessed as low. The company provides allowance for doubtful debts against outstanding specific water and sewerage debts. During the year specific provision was made amounting to Kshs 2,029,268 and a general provision of 10% on net balance of Ksh.8,897,160 making a total provision of Ksh 10,926,428.

**m. Liquidity risk management**

The company has various obligations and liabilities as outlined in note 22,24 and 25 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 2022 Current liabilities(Kshs)	49,230,640	6,102,620	804,620	77,247,870	133,385,750
At 30 June 2021 Current liabilities(Kshs)	48,586,971	5,338,624	337,085	84,461,080	138,723,760

**n. Market risk**

The company had no interest bearing financial obligation as at the end of financial 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. 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.

**q. 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.

**r. Reporting currency**

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

**s. Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30<sup>th</sup> June 2022.

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

**t. Budget information**

The budget for financial year 2021-2022 was approved by the board of directors on 29<sup>th</sup> June 2021. 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.

**u. Incorporation**

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

**v. Ultimate and holding entity**

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

**w. 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.

**x. 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.

**y. Provisions**

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

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

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

**z. Shareholding**

Murang'a Water and Sanitation Company Ltd was incorporated under Companies Act Cap 486 and it's a company limited by guarantee and hence the company has no share capital. The company has a wholly owned subsidiary, Fort Beverage Industries Ltd (FBIL). Fort beverage Industries Ltd made a loss of Ksh. 1,543,013 for the year ended 30<sup>th</sup> June 2022.

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

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. This include;

**a) Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**b) Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Company
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets

**c) 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 9&16

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 provision for bad debt is at 10% of receivables after adjusting for specific bad debt. provisions for depreciation of assets is estimated using useful life of asset.

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

**EXPLANATORY NOTES TO THE ACCOUNTS**

**6) G.O.K Grants**

**Accounting For Government Grants**

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

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

<b>Revenue Grants</b>	<b><u>2021/2022</u></b>	<b><u>2020/2021</u></b>
		<b>(Kshs)</b>
Amotization of capital grants	9,513,175	8,509,702
Salaries paid to seconded staffs	3,306,796	3,193,420
Chemical, general office supply and fittings grants	1,073,400	4,346,172
CLSG grants	31,142,903	23,521,513
<b>Total</b>	<b>45,036,274</b>	<b>39,570,807</b>

**7) Operating Revenue**

Water	178,368,151	156,640,685
Sewerage services	43,626,547	37,397,277
Meter rent	9,589,250	8,769,350
Other billings	8,924,175	6,327,132
Re- connection fees	21,237,500	4,437,500
<b>Total</b>	<b>261,745,623</b>	<b>213,571,944</b>

**8) Other Incomes**

Water connection fees	4,377,186	4,702,686
Sewer connection fees	296,500	342,500
Unmetered water sales	10,000	47,500
Surcharges	97,295	11,332
<b>Totals</b>	<b>4,780,981</b>	<b>5,104,018</b>

Murang'a Water And Sanitation Company Limited  
Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS(continued)

9) <u>Staff Cost</u>	<u>2021/2022</u>	<u>2020/2021</u>	
		Kshs	Ksh
Salaries		96,708,658	93,363,394
Salaries (g.o.k grant)		3,306,796	3,193,420
Leave allowances		3,183,208	2,925,726
N.S.S.F company contributions		311,600	292,600
Pension contribution		4,035,994	3,897,629
Staff gratuity		3,753,038	4,004,929
Casual wages		981,250	87,120
Staff medical cover		11,013,023	10,500,278
<b>Total personal emoluments</b>		<b>123,293,567</b>	<b>118,265,096</b>
<b>10)Administration Expenses</b>			
Training		2,433,400	1,741,719
Advertising		859,558	591,250
Motor vehicle expenses		14,254,083	10,500,553
Consultancy/professional fees		1,311,300	2,355,719
Sundry and donation expenses		406,367	6,300
Insurances		1,586,705	1,632,637
Membership and subscriptions		297,885	233,900
Courier & postal services		16,050	18,910
Communication and internet expenses		2,648,386	2,297,782
Licences & permits		105,600	100,000
Catering services		499,119	110,882
Contracted guards services		1,395,239	1,355,790
Wasreb levy		2,555,613	2,092,947
Bank service commission & charges		147,886	109,289
Legal fees		4,436,700	12,961,780
Meeting costs ,conferences & seminars		1,661,034	613,855
Travel cost		987,460	449,290
Increase for credit risk		1,490,950	589,648
Subsistence allowances		12,920,702	6,222,553
Audit fees		362,500	262,500
Minimm tax		-	348,536
<b>Total</b>		<b>50,376,537</b>	<b>44,595,840</b>

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

	<u>2021/2022</u>	<u>2020/2021</u>
	Kshs	Kshs
<b>11) <u>Production &amp; Maintenance Expenses</u></b>		
Electricity	3,534,752	1,929,274
Operating and maintenance cost	45,656,725	31,679,704
Chemicals	6,551,502	5,289,141
Water abstraction fee-warma	609,790	548,540
<b>Total</b>	<b>56,352,769</b>	<b>39,446,659</b>
<b>12) <u>General And Operating Expenses</u></b>		
Staff uniforms	3,054,100	1,371,000
General office supplies	9,716,431	3,622,455
Newspapers, magazines & periodicals	27,640	34,271
<b>Total</b>	<b>12,798,171</b>	<b>5,027,726</b>
<b>13) <u>Disallowed Vat Receivable</u></b>		
<b>Claim Period</b>		
February 2018	-	686,925
March 2018	-	526,318
April 2018	-	655,418
<b>Total</b>	<b>-</b>	<b>1,868,661</b>

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

**14) Property Plant & Equipments (Kshs)**

<b><u>COSTS</u></b>	<b>1)Buildings ( Kshs)</b>	<b>2)pipes &amp;fittings ( Kshs)</b>	<b>3)EQUIPMENTS ( Kshs)</b>	<b>4)motor vehicles &amp; Cycles ( Kshs)</b>	<b>5)computers &amp;computer networking ( Kshs)</b>	<b>TOTALS ( Kshs)</b>
Cost as at 1 <sup>st</sup> July 2020	37,794,178	105,880,896	247,349,060	3,116,294	8,334,734	402,475,161
Additions during the year	7,861,455	20,098,634	29,098,046	1,475,080	769,900	59,303,115
<b>Total Cost As At 30<sup>th</sup> JUNE 2021</b>	<b>45,655,633</b>	<b>125,979,531</b>	<b>276,447,105</b>	<b>4,591,374</b>	<b>9,104,634</b>	<b>461,778,277</b>
Cost as at 1 <sup>st</sup> July 2021	45,655,633	125,979,531	276,447,105	4,591,374	9,104,634	461,778,277
Additions during the year	10,857,046	15,472,248	17,528,248	12,780,000	575,000	57,212,542
<b>Total Cost As At 30<sup>th</sup> JUNE 2022</b>	<b>56,512,679</b>	<b>141,451,779</b>	<b>293,975,353</b>	<b>17,371,374</b>	<b>9,679,634</b>	<b>518,990,819</b>
<b><u>DEPRECIATION</u></b>						
As at 1 <sup>st</sup> July 2020	6,463,244	11,711,098	133,547,448	2,362,087	6,641,921	160,725,798
charge for the year	979,810	2,856,711	17,862,457	557,322	738,814	22,995,113
<b>Accumulated depreciation As at 1<sup>st</sup> July 2021</b>	<b>7,443,054</b>	<b>14,567,809</b>	<b>151,409,905</b>	<b>2,919,409</b>	<b>7,380,735</b>	<b>183,720,911</b>
Charge for the year	1,226,741	3,172,099	17,820,681	3,612,991	689,670	26,522,182
<b>Total Accumulated Depreciation As At 30<sup>th</sup> June 2022</b>	<b>8,669,794</b>	<b>17,739,908</b>	<b>169,230,586</b>	<b>6,532,400</b>	<b>8,070,405</b>	<b>210,243,093</b>
<b><u>NET BOOK VALUE:</u></b>						
As at 30 <sup>th</sup> JUNE 2022	47,842,885	123,711,871	124,744,767	10,838,974	1,609,229	308,747,726
As at 30 <sup>th</sup> JUNE 2021	38,212,579	111,411,722	125,037,200	1,671,965	1,723,899	278,057,366

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

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

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

**15) Intangible Assets (Ksh)**

**COST:**

Cost as at 1 <sup>st</sup> July 2020	350,000
Additions during the year	-
<b>Total cost as at 30<sup>th</sup> June 2021</b>	<b>350,000</b>
Cost as at 1 <sup>st</sup> July 2021	350,000
Additions during the year	685,718
<b>Total cost as at 30<sup>th</sup> June 2022</b>	<b>1,035,718</b>

**AMORTISATION:**

As at 1 <sup>st</sup> July 2020	206,640
Charge for the year	28,672
<b>Total Accumulated Amortization As At 30<sup>th</sup> June 2021</b>	<b>235,312</b>
As at 1 <sup>st</sup> July 2021	235,312
Charge for the year	160,081
<b>Total Accumulated Amortization As At 30<sup>th</sup> June 2020</b>	<b>395,393</b>

**NET BOOK VALUE:**

<b>As at 30<sup>th</sup> June 2022</b>	<b>640,325</b>
<b>As at 30<sup>th</sup> June 2021</b>	<b>114,688</b>

**16) Board Expenses**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>(Kshs)</b>	<b>(Kshs)</b>
Sitting allowances	2,700,051	1,825,169
Medical insurance	1,048,548	873,819
Board expenses-other	1,132,455	109,000
<b>Total</b>	<b>4,881,054</b>	<b>2,807,988</b>

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

<b>17) <u>Receivables</u></b>	<b><u>2021/2022</u></b>	<b><u>2020/2021</u></b>
	<b>( Kshs)</b>	<b>( Kshs)</b>
Trade Receivables	91,000,925	74,866,326
Less provision for doubtful debts	(10,926,434)	(9,435,484)
<b>Total Trade Receivables</b>	<b>80,074,491</b>	<b>65,430,842</b>
Other receivables	46,495,407	43,854,138
Prepayment and deposits	1,256,752	874,322
<b>Net Book Value</b>	<b>127,826,650</b>	<b>110,159,302</b>
<b>18) Cash &amp; Cash Equivalent</b>		
The make-up of bank balances and short term deposits is as follows:		
<b>Financial Institution</b>	<b>Account number</b>	
<b>a) Current accounts</b>		
Equity bank	0220290765689	7,860,533
Family bank	06000015543	608,287
Cooperative bank	01141573530000	122,790
Sidian bank	01012020003971	-
Family bank(CLSG A/C)	006000031969	911
<b>Sub- total</b>		<b>8,592,521</b>
<b>b) Deposit account</b>		
Equity bank	0220192975587	711,434
<b>Sub- total</b>		<b>711,434</b>
<b>Sub- total</b>		
<b>Others</b>		
c) M-PESA	898600	260,605
d) Cash at hand		742
<b>Sub- total</b>		<b>261,347</b>
<b>Grand Total</b>		<b>9,565,302</b>
		<b>8,496,401</b>

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

	<u>2021/2022</u>	<u>2020/2021</u>
	Kshs	Kshs
<b>19) <u>Inventory</u></b>		
Tools and Fittings	5,289,898	3,445,317
Chemicals	2,070,570	3,761,898
Pipes	2,595,467	4,479,575
Water Meters and Valves	7,729,600	3,633,012
Stationery and cleaning materials	681,644	393,616
<b>Total</b>	<b>18,367,179</b>	<b>15,713,418</b>
<b>20) <u>Investment In Subsidiary</u></b>		
Brought forward	20,488,369	20,488,369
Additions	-	
<b>Carried Forward</b>	<b>20,488,369</b>	<b>20,488,369</b>
<b>21) <u>Capital Reserves</u></b>		
Brought forward	33,275,181	33,275,181
<b>Carried Forward</b>	<b>33,275,181</b>	<b>33,275,181</b>
<b>22) <u>Revenue Reserves</u></b>		
Brought forward	143,340,770	120,514,438
Current period	37,167,614	22,826,332
<b>Carried Forward</b>	<b>180,508,384</b>	<b>143,340,770</b>
<b>23) <u>Loan Interest And Principal Payable</u></b>		
During the year, the company had no outstanding interest bearing financial obligation.		
Interest payable b/f	250,635	56,123
Interest additions in the year	10,903	384,682
Interest paid during the year	(261,538)	(190,170)
<b>Interest Payable C/F</b>	<b>-</b>	<b>250,635</b>

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

Loan principal payable b/f	385,375	3,657,201
Loan principal additions in the year	-	-
Loan principal paid during the year	(385,375)	(3,271,826)
<b>Loan Principal Payable C/F</b>	<b>-</b>	<b>385,375</b>
<b>24) Deferred Income</b>		
Brought Forward	118,689,832	102,797,387
Amortization on capital grants	(9,513,175)	(8,509,702)
CLSG capital grant	12,188,575	11,021,771
Muranga county government-pipes Mission 58-Kabuta-karemaini water extension project	-	6,017,000
Can do kids international-Karichiungu water tank	-	2,393,253
Athi Water Board-Pipes & Meters	9,940,246	4,970,123
	7,160,758	-
<b>Totals</b>	<b>138,466,236</b>	<b>118,689,832</b>
Deferred Income amortizable within one yr	9,513,175	9,638,071
Deferred income amortizable after 1 yr	128,953,061	109,051,761
<b>Total Deferred Income c/f</b>	<b>138,466,236</b>	<b>118,689,832</b>
<b>25) Trade and Other Payables</b>		
Customers Prepayments	3,260,390	3,045,516
Suppliers creditors	21,221,826	33,951,755
Other creditors	5,680,913	5,678,797
Provision for audit fees	1,812,500	1,812,500
Accrued bills	61,673,731	59,374,973
Customer deposits	35,833,270	30,917,275
Gratuity payable	867,094	540,558
V.A.T payable	697,125	318,005
Withholding TAX-Income tax	-	109,470
<b>Totals</b>	<b>131,046,849</b>	<b>135,748,849</b>

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

Included in the accrued bills are administration fees to TWWDA. This is not likely to be paid since there are discussions to convert the amount to equity.

<b>26) Tax Payable</b>	<u>2021/2022</u>	<u>2020/2021</u>
	Ksh.	Ksh.
Tax Payable Balance B/F	2,338,901	2,510,040
Charge for the year	-	-
Paid (offset by VAT receivables allowed)	-	(171,139)
<b>Tax Payable</b>	<b>2,338,901</b>	<b>2,338,901</b>

**27) Related Party Disclosures**

The following are the related parties of the company

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

**Expenses Incurred On Behalf Of**

<b><u>Related Parties</u></b>	<u>2021/2022</u>	<u>2020/2021</u>
	Kshs	Kshs
B.O.D expenses	4,881,054	2,807,988
Management salaries and leave allowances	15,281,643	14,800,346
Management gratuity	3,753,038	4,004,929
<b>Total</b>	<b>23,915,735</b>	<b>21,613,263</b>

-During the year, Muranga water and sanitation company transferred funds amounting to ksh 1,160,000 from its bank account to its subsidiary company, Fort beverage bank account.

**28) Capital Commitments**

The following capital commitments are expected to be incurred in the year 2022/2023

<b><u>NO</u></b>	<b><u>DETAILS</u></b>	<b><u>Kshs</u></b>
1	Meters and accessories	14,545,000
2	Water network and sewer network	21,110,000
3	Motor vehicle & cycles	5,000,000
4	Computer and computer networking	1,850,000
5	Equipments, Furniture and fittings	1,000,000
6	Non Revenue management and GIS Equipments	1,000,000
7	Kiawambeu inflow augmentation project	149,575,248
	<b>Total</b>	<b>194,080,248</b>

Murang'a Water And Sanitation Company Limited  
Annual Report and Financial Statements for the year ended June 30, 2022

**XIX. Appendices**

**Appendix 1: Progress On Follow Up Of Auditor Recommendation**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>
1	Long outstanding receivables	<p>The trade receivables of Ksh 65,430,842 includes outstanding water bills owed by the various government institutions totaling to Ksh. 63,621,493 which are certain that they will be settled in the future and therefore cannot be written off. attached is a sample copy letter of demand to one of the major debtors.</p> <p>On the issue of VAT receivables, the amount of Kshs, 23,838,556 is owed by KRA and since its government entity we are certain that they cannot default and therefore the receivables are realizable</p>	Not resolved
2.1	Long outstanding payables	<p>The Kshs 49,458,717 included in the payables is owed to Tana Water Services Board (TWSB) who were the principal of our company and therefore owned the water assets. However we are in discussions with them to turn the payables to equity and if this happens, the liability will not be payable to them.</p> <p>Further we have committed ourselves to clear the amount owed to the Office Of the Auditor General by the end of the Financial year 2021/2022 and we have raised a current cheque of Kshs 36,500 to show our commitment.</p>	Being considered to be converted to equity
2.2	Irregular borrowing from customer deposits	<p>Customer deposits bank account is opened and operation in Equity Bank Account Number 0220192975587 .The utilization of the fund is authorized by the Board of Director spending of customer deposits is for minor investment through water extension. Initially the funds were idle in the bank account and the interest earned was minimal and the management thought of investing the deposits in fixed deposit account which also did not give much returns as expected. Through investment of the funds the company has been able to extend water services to more consumers thus more coverage and this has contributed to increased revenue to the company. One of the interventions for increased revenue is extension project. The float approved by the Board is enough to cater for customers who may which to terminate their contract with the company. If the company could have</p>	There was BoD authorization

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

		borrowed the same in the market the cost could even be high and this could not be logical incurring costs which can be avoided.	
3	Misclassified and unexplained investments	The investments of Ksh 20,488,369 are realizable and we expect payments from the subsidiary in the short term and that is the reason we have treated the investment as a current asset.	Being considered to be converted to equity



**ENG. D. NG'ANG'A**  
**Managing Director**  
**20/09/2022**

**Murang'a Water And Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Appendix 2: Inter-Entity Transfers**

<b>ENTITY NAME:</b>		<b>MURANG'A WATER AND SANITATION COMPANY</b>		
	<u>Type of grant</u>	<u>Description of grant</u>	<u>Amount(Ksh)</u>	<u>Fy</u>
1	Transfer from Muranga County Government			
	Revenue grant	Salaries paid to seconded staffs	3,306,796	FY 2021/2022
2	Transfer from Athi water services board			
	Capital & Fittings grant	HDPE pipes, Gatevalves & water meters	8,234,158	FY 2021/2022
3	Funds transfers			
		Transfer of funds from MUWASCO to its subsidiary FBIL	1,160,000	FY 2021/2022

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

**Appendix 3: Recording Of Transfers From Other Government Entities And Donors**

Name of the Donor Transferring the funds	Date received as per bank statement/period project completed	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance (Non current assets)	Statement of comprehensive income	Receivables	Others - must be specific	Total Transfers during the Year
Water Sector Trust Fund(Conditional liquidity support grant)	05/01/2022	Recurrent and short term projects	43,331,478	12,188,575	31,142,903	-	-	43,331,478
Athi water service board	01/11/2021	Development (water& sewer network)	500,000	126,600	373,400	-	-	500,000
Can do kids	March & may 2022	Development (Water tank)	9,940,246	9,940,246	-	-	-	9,940,246
<b>Total</b>			<b>53,771,724</b>	<b>22,255,421</b>	<b>31,516,303</b>			<b>53,771,724</b>