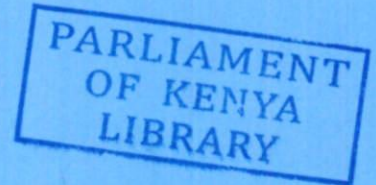


**REPORT**



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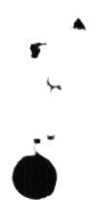
**THE AUDITOR-GENERAL**

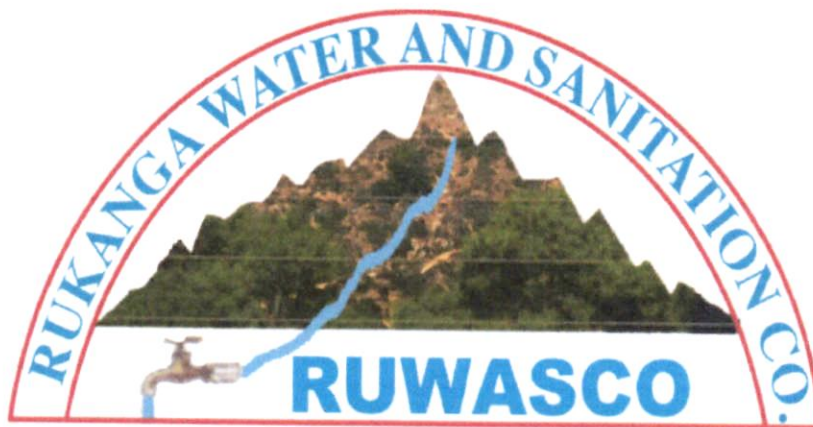
**ON**

**RUKANGA WATER AND SANITATION  
COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2020**

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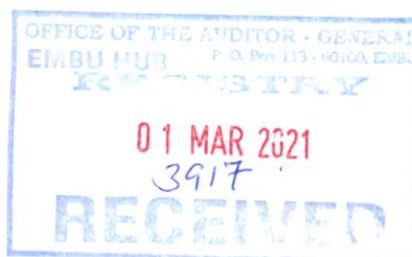
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**RUKANGA WATER AND  
SANITATION COMPANY LTD**

**ANNUAL REPORTS AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2020**

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



# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2020

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# **RUKANGA WATER AND SANITATION COMPANY LIMITED**

Annual Reports and Financial Statements for the year ended June 30, 2020

## **1. KEY ENTITY INFORMATION**

### **BACKGROUND INFORMATION**

Rukanga Water and Sanitation Company Limited started as a community water project in 1989. The small scale water service provider was financed by IFAD through Kenya Government and the Rukanga community. The area coverage is 75km<sup>2</sup> and currently serves a population of 12,000 people.

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

RUWASCO has been mandated by Tana Water Services Board through a Service Provision Agreement (SPA) to carry out water and sanitation services in both urban and rural areas of Kirinyaga County, Mwea west Sub-County, Makutano Location, Rukanga sub-Location. The Company takes charge of public resources in order to provide quality, affordable, reliable, sustainable and portable water in the target community. RUWASCO is jointly owned by the Government of Kenya, County Government of Kirinyaga and the Local Community

### **PRINCIPAL ACTIVITY**

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

### **RESULTS**

The entity's results for the year ended 30<sup>th</sup> June 2020 are set out on page 12

### **DIRECTORS**

There were no Board members who served during the year as explained on page 3.

### **AUDITORS**

The Auditor General is responsible for the statutory audit of the entity in accordance with the Section of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

### **VISION**

To Excel in Water Services Provision

### **MISSION**

To provide affordable, reliable safe drinking water and improved sanitation services while applying environmentally friendly technologies.

# **RUKANGA WATER AND SANITATION COMPANY LIMITED**

Annual Reports and Financial Statements for the year ended June 30, 2020

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## **CORE VALUES**

To achieve our mission and vision, the following core values are our guiding principles

- Customer focus
- Accountability
- Transparency
- Integrity
- Commitment of teamwork

## **STRATEGIC OBJECTIVES**

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

## **REGISTERED OFFICE/HEADQUARTERS**

Rukanga Water and Sanitation Company  
RIANDIRA SHOPPING CENTRE  
SAGANA/MAKUTANO HIGHWAY  
P O Box 311-10230

**SAGANA**

Tel: **0702609597**

## **BANKERS**

Co-operative Bank of KENYA  
Kerugoya Branch  
P O Box 635-10300

**KERUGOYA**

## **Equity Bank**

Kagio Branch  
P.O Box 134-10306

**KAGIO**

## **AUDITORS**

Auditor General  
Kenya National Audit Office  
Anniversary Towers  
P O Box 30084-00100

**NAIROBI**

## **COMPANY SECRETARY**

Update registrar  
P.O Box 10727-00100

**NAIROBI**

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2020

## 2. LIST OF BOARD OF DIRECTORS



There was no Board of directors who served during the year

NO	NAMES AND ADDRESS	Y.O.B	QUALIFICATIONS	CURRENT OCCUPATION	PASSPORT
1					
2					
3					
4					
5					
6					
7					
8					

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2020

## 3. MANAGEMENT TEAM

<b>Designation</b>	<b>Name</b>	<b>Y.O.B</b>	<b>Qualifications</b>	<b>Passport</b>
AG General Manager	Robert N Munyua	1973	MBA (Finance) & Master of science	
Accountant (RUWASCO)	Kennedy M. Ng'endo	1989	CPA II SECTION IV	

# **RUKANGA WATER AND SANITATION COMPANY LIMITED**

Annual Reports and Financial Statements for the year ended June 30, 2020

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## **CHAIRMAN'S REPORT**

There was no Board of directors who served during the year hence no chairman's report

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2020

## GENERAL MANAGER'S REPORT

Rukanga Water and Sanitation Company (RUWASCO) is responsible for efficient and economical provision of water and sanitation services within Rukanga sub-location and its environs.

The Water Supply system is by a weir 1.5m high and a gravity PVC pipeline consisting of:-

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

The area covered is 75km<sup>2</sup> with a population of 12,000 people.

During the year under review 2019/20 the operations were as follows:

S/No	2018/19	2019/20	Remarks
Water Production average	20,000m <sup>3</sup> /Month	21,000m <sup>3</sup> /Month	
Total water Connections	1,995	2,049	
Applied Water Tariff 0---10m <sup>3</sup>	Ksh 200/=	Ksh 200/=	
	Ksh 250/=	Ksh 250/=	
Approved Tariff 0---6m <sup>3</sup>	Household ksh 300/=	Household ksh 300/=	New tariff
	Commercial ksh 330/=	Commercial ksh 330/=	Not yet applied
Income Earned	Ksh 7,424,339	Ksh 7,261,385	
Non-Revenue Water	Av. 24%	Av. 32%	
Population Served	12,000	12,000	



Signed: ..... Date: 1-3-2021

**General Manager**

# **RUKANGA WATER AND SANITATION COMPANY LIMITED**

Annual Reports and Financial Statements for the year ended June 30, 2020

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## **6. CORPORATE GOVERNANCE STATEMENT**

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

RUWASCO is committed to ensuring compliance with the provisions of Water Act 2002 among other regulatory and supervisory corporate governance requirements. Essential to the establishment of a good governance framework are formal governance structures designed to ensure accurate reporting to the Board to facilitate an informed decision making process, assessment and improvement of conformances.

### **Board of Directors**

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

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

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

## **7. CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

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

## **8. MANAGEMENT DISCUSSION AND ANALYSIS**

Rukanga and Water Sanitation has been working under caretaker management that the County Government of Kirinyaga since the Company there has been no board of directors. Therefore there was nothing much to be done by the caretaker management

# **RUKANGA WATER AND SANITATION COMPANY LIMITED**

Annual Reports and Financial Statements for the year ended June 30, 2020

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## **9. BOARD OF DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2020**

Since there was no Board of Directors, the management presents their report and audited accounts for the year ended 30 June 2020 which discloses the state of affairs of RUWASCO at that date. The financial statements cover a period of 12 months.

### **PRINCIPAL ACTIVITY**

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

### **MAIN BUSINESS OPERATING OBJECTIVES**

The Company's main business operating objectives include, but not limited to, the following:

- (a) Increase stake holder's awareness on water sector reforms
- (b) Improve access to sustainable and safe water
- (c) Increase the demand for available safe water
- (d) Increase the access to improved sanitation
- (e) Achieve operational financial sustainability

### **RESULTS**

The entity's results for the year ended 30th June 2020 are set out on page 12

### **DIRECTORS**

There were no Board members who served during the year as shown on page 3.

### **AUDITORS**

The Auditor General is responsible for the statutory audit of the entity in accordance with the Section of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

### **VISION**

To Excel in Water Services Provision

### **MISSION**

To provide affordable, reliable safe drinking water and improved sanitation services while applying environmentally friendly technologies.

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2020

## 10. STATEMENT OF DIRECTORS' RESPONSIBILITIES

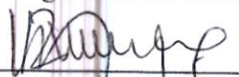
The Kenyan Companies Act requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the operating results of the Company for that year. It also requires the directors to ensure the Company keeps proper accounting records, which disclose with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Management accepts responsibility for the annual 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 and the requirements of the Kenyan Companies Act. The Management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. The Management further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal control.

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

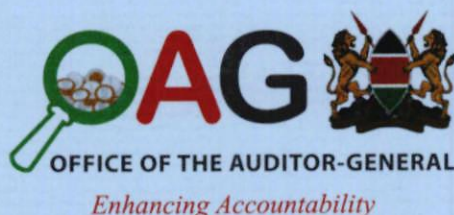
### Approval of the financial statements

The entity's financial statements were approved by the Management on 1-3-2021 2020 and signed on its behalf by:

  
\_\_\_\_\_  
Ag General Manager

  
\_\_\_\_\_  
Accountant

# REPUBLIC OF KENYA



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E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke

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

## REPORT OF THE AUDITOR-GENERAL ON RUKANGA WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Rukanga Water and Sanitation Company Limited set out on pages 1 to 13, which comprise the statement of financial position as at 30 June, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Rukanga Water and Sanitation Company Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (Accrual Basis) and comply with the Water Act, 2016, the Companies Act, 2015, and the Public Finance Management Act, 2012.

#### Basis for Qualified Opinion

##### 1. Accuracy of the Statements of Cash flows

The statement of cash flows reflects Kshs.2,217,819 in respect to cash generated from operations. However, Note 13 to the statement of cash flows reflects Kshs.2,793,447 in respect to the same item resulting to unexplained and unreconciled variance of Kshs.575,628.

In the circumstances, the accuracy and completeness of the statement of cash flows for year ended 30 June, 2020 could not be confirmed.

##### 2. Unsupported Accounts Receivables

The statement of financial position reflects receivables of Kshs.1,470,928 and as disclosed in Note 2 to the financial statements. However, supporting documents including

debtors' ledgers and debtors ageing analysis were not provided for audit review. Further, a provision for bad and doubtful debts was not made in the financial statements.

In the circumstance, the accuracy, validity and recoverability of the trade receivables balance of Kshs.1,470,928 as at 30 June, 2020 could not be confirmed.

### **3. Unsupported Travelling and Accommodation Expense**

Note 10 (b) to the financial statements for the year ended 30 June, 2020 reflects Kshs.3,921,310 in respect to administration costs and staff training which includes Kshs.2,299,223 in respect to travelling and accommodation. This amount includes Kshs.782,550 paid as lunch allowance to ten (10) seconded staff from the County Government of Kirinyaga. However, supporting documents including approval for the payment of lunch allowances to the seconded staff were not provided for audit review.

Consequently, the accuracy, validity and value for money for the Kshs.3,921,310 expenditure for the year ended 30 June, 2020 could not be confirmed.

### **4. Land without Ownership Documents**

Note 1 to the financial statements reflects Kshs.28,259,778 in respect to property, plant and equipment as at 30 June, 2020 which includes Kshs.1,938,269 out of which Kshs.100,000 is in respect to a parcel of land No. Kiine/Rukanga/3283 measuring 0.25 acres purchased in 2005 at a cost of Kshs.100,000. However, as previously reported, ownership documents and land valuation reports for the parcel of land were not availed for audit review.

Consequently, the ownership, and completeness of the Kshs.28,259,778 in respect to property, plant and equipment as at 30 June, 2020 could not be ascertained.

### **5. Failure to Maintain a Fuel Register**

Note 11(a) to the financial statements for the year ended 30 June, 2020 reflects Kshs.1,800,117 in respect to operation costs which includes Kshs.505,989 expenditure on transport fuels and diesel. However, the Company did not maintain a fuel register and therefore it was not possible to confirm how the Kshs.505,989 was expended.

In the circumstances, the accuracy and validity, of the Kshs.1,800,117 expenditure for the year ended 30 June, 2020 could not be confirmed.

### **6. Non-Provision of Audit Fees**

The statement of profit or loss and other comprehensive income for the year under review reflects Kshs.10,867,591 in respect to total expenses. However, the expenses for the year excludes provision for audit fees, payable to the Office of the Auditor-General in accordance to Section 41(1)(c) of the Public Audit Act, 2015 which states that the funds of the Office of the Auditor-General shall consist of audit fees charged at the rates prescribed by the Auditor-General.

In the circumstances, the Company's expenditure for the year ended 30 June, 2020 is understated to the extent of the audit fee not provided for.

Further, the Company is in breach of the Law.

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

### **Key Audit Matters**

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

### **Emphasis of Matter**

#### **Poor Financial Performance**

The statement of profit or loss and other comprehensive income for the year ended 30 June, 2020 reflects Kshs.7,331,771 and Kshs.10,867,591 in respect to total income and total expenditure respectively resulting to a loss of Kshs.3,535,820 (2019 Kshs.156,016) for the year ended 30 June, 2020.

The loss has depleted revenue reserves from Kshs.474,328 to negative Kshs.3,061,492 as at 30 June, 2020. If strategies are not put in place to reverse the loss-making trend, the Company is likely to face financial challenges in the near future.

### **Other Matter**

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

The summary statement of comparison of budget and actual amount reflects final receipts budget and actual on comparable basis of Kshs.11,640,344 and Kshs.7,331,771 respectively resulting to an under-funding of Kshs.4,308,573 or 37% of the budget. The underfunding affected the planned activities and may have impacted negatively on service delivery to the stakeholders.

#### **2. Unbalanced Budget**

The Company's statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects Kshs.11,640,344 in respect to approved revenue budget. However, the same statement reflects Kshs.10,140,344 in respect to approved expenditure budget resulting to an unbalanced budget by Kshs.1,500,000. This is contrary to Section 31(c) of the Public Finance Management (County Government)

Regulations, 2019 which states that budget revenue and expenditure appropriations shall be balanced.

In the circumstances, the Company is in breach of the regulations.

## 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. Presentation of Financial Statements

The financial statements for the year ended 30 June, 2020 presented for audit review reflect the following anomalies.

- 1.1 The chairman's report and the general managers' report at Pages vi and vii to the financial statements respectively are not numbered contrary the Public Sector Accounting Standards Board (PSASB) reporting template that requires all the headings and sub headings in the financial statements to be numbered for ease of reference.
- 1.2 A report on review of the Company's performance for the year is not included in the financial statements contrary to (PSASB) reporting template issued in June, 2020.
- 1.3 The statements on progress on follow up of auditor recommendation, projects implemented by the entity, inter-entity transfers, and recording of transfers from other government entities are also not included in the financial statements contrary to PSASB reporting template issued in June, 2020.
- 1.4 The Accountant's Certified Public Accountants of Kenya (ICPAK) membership number is not reflected in the statement of financial position contrary to PSASB reporting template issued in June, 2020.
- 1.5 The "final budget" column in the statement of comparison of budgeted and actual amounts for the year ended 30 June, 2020 is blank contrary to PSASB reporting template issued in June, 2020.
- 1.6 The statement of comparison of budget and actual amounts is indicated as "for the period ended 30 June, 2020" contrary to the International Public Sector Accounting

Standards 1 (IG 4 at Pages 76 - 77) which requires the statement to be “for the year ended 30 June, 2020”.

- 1.7 Paragraph 3 and 5, under the “key entity information” at page ii to the financial statements reflects the “results” and “auditors” of the company contrary to PSASB template issued in June, 2020 which stipulates that said information be reflected under the board of directors’ report to the financial statements.
- 1.8 Paragraph 4 under the Board of Directors’ report at Page ix of the financial statements on “results” states that the results of the company are set out on Page 12. However, the results of the Company are reflected at Pages 1 to 13, of the financial statements.
- 1.9 Paragraph 4 and 5, under the “key entity information” and the “Board of Directors’ report” at Pages ii and ix respectively on Directors’ states that “there were no board members who served during the year as explained on Page 3”. However, Page 3 to the financial statements contains the statement of changes in equity and not the explanation.
- 1.10 The “key entity information” at Page iii to the financial statements reflects the company’s independent auditor as “Kenya National Audit Office” instead of the Auditor-General.
- 1.11 The statement of Directors responsibility at Page x to the financial statements indicates that the financial statements were approved by the Management on “1-3-2021 2020” instead of 1-3-2021. In addition, the date when the financial statement was approved is not indicated in the statement of financial position.

In the circumstances, the presentation of the financial statements do not comply with the IPSAS and PSASB prescribed format.

## **2. Failure to Comply with Fiscal Responsibility Principles on Wage Bill**

Note 8 to the financial statements for the year ended 30 June, 2020 reflects Kshs.3,844,599 in respect to personnel costs while the statement of profit or loss and other comprehensive income reflects total revenue of Kshs.7,331,771. The wage bill for the Company constitutes fifty-two (52%) of the total revenue for the year ended 30 June, 2020 contrary to Section 25(1)(b) of the Public Finance Management (County Government) Regulations, 2015 which states that the wage bill shall not exceed thirty-five (35) percent of the county government's total revenue;

In the circumstance, the Management is in breach of the Law.

## **3. Failure to Submit Annual and Tax Returns**

The Company has not filed returns to the Registrar of Companies since its inception in the year 2007 contrary to section 705(1) of the Companies Act 2015 which provides that every Company shall submit to the registrar successive annual returns each of which is

made up to a date not later than the date that is from time to time the Company's return date.

Further, the Company has not filed annual tax returns since its inception in 2007 contrary to Section 52B(1)(b) of the income tax Act, 2012 which provides that every person, other than an individual chargeable to tax under the Act, shall for any accounting period commencing on or after 1 January, 1992, furnish to the Commissioner a return of income, including a self-assessment of his tax on such income, not later than the last day of the sixth month following the end of the year of income.

In the circumstances, the Management is in breach of the Law.

#### **4. Budget Over expenditure**

During the year under review, the Company had an approved expenditure budget of Kshs.10,140,344 and actual expenditure of Kshs.10,867,591 resulting to an over expenditure of Kshs.727,247. No approval was provided for the over expenditure of Kshs.727,247 contrary to Section 43(2) of the Public Finance Management Act (County Government) regulations, 2015 which states that County Government entities shall execute their approved budgets based on annual legislation and the approved annual cashflow plan with the exception of unforeseen and unavoidable spending dealt with through the County emergency fund or supplementary estimates.

Consequently, the Management is in breach of 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. Exceeded Non-Revenue Water**

A review of water records provided revealed that during the year under review, the Company produced a total of 185,649 cubic meters (M<sup>3</sup>) of water. However, only 124,555

cubic meters (M<sup>3</sup>) were billed to customers. The balance of 61,094 cubic meters (M<sup>3</sup>) which is (approximately 33%) of the total water produced with a sale price of Kshs.3,176,888 (at Kshs.52 per cubic meter (M<sup>3</sup>) which was the average sale price for the year under review) represents the Non-Revenue Water (NRW). This is over and above the allowable loss of 25% as provided by schedule E of water service regulatory board (WASREB) guidelines.

In the circumstances, the Company significantly exceeded the allowable NRW loss of 25% by 8% or approximately Kshs.770,155 which if not addressed will impact negatively on the Company's profitability.

## **2. Lack of a Board of Directors**

The Company operated without a Board of Directors during the year under review, contrary to Section 30 of the Company's Articles of Association which require the Company to have at least five (5) Directors who shall be appointed by the Company in a general meeting from among persons who may or may not be members of the Company and involved in the consumption of water in the jurisdiction of the Company.

In the circumstances, the Company is in breach of its Articles of Association.

## **3. Lack of an Internal Audit Function**

As reported in the previous year, there was no evidence including audit committee reports and attendance registers to confirm whether the audit committee in place met in the year under review. Further there was no evidence provided for audit review to show that the Company had established an internal audit function contrary to the Section 155(1)(a) of the Public Finance Management Act, 2012 which states that a County Government entity shall have appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board.

In the circumstances, the Management is in breach of the Law.

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

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

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

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

- iii. The Company's financial statements are in agreement with the accounting records and returns.

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

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

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

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how the 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 Company's policies and procedures may deteriorate.

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

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

**08 February, 2022**

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2020

## 11. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

<b>REVENUES</b>	<b>NOTES</b>	<b>2019/2020 KSH</b>	<b>2018/2019 KSH</b>
Revenue	6	7,261,385	7,284,536
FINANCE INCOME	7	70,386	237,156
		<b>7,331,771</b>	<b>7,521,692</b>
<b>EXPENDITURE</b>			
Personnel Costs	8	3,844,599	4,531,083
Directors Costs	9	0	238,850
Administration Costs	10	3,921,310	404,120
Operation & Maintenance Costs	11	2,288,923	1,640,056
Provision for depreciation	12	812,759	863,599
<b>TOTAL</b>		<b>10,867,591</b>	<b>7,677,708</b>
<b>(DEFICIT)/SURPLUS BEFORE TAX</b>		<b>(3,535,820)</b>	<b>(156,016)</b>

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2020

## 12. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	2019/2020 Kshs	2018/2019 Kshs
<b>ASSETS</b>			
<b><u>Non-Current Assets</u></b>			
Properties, Plant and Equipment	1	28,259,778	29,051,487
		<b>28,259,778</b>	<b>29,051,487</b>
<b><u>Current Assets</u></b>			
Cash & Cash Equivalents	3	2,792,452	4,960,934
Receivables	2	1,470,928	2,292,473
		<b>4,263,380</b>	<b>7,253,407</b>
<b><u>TOTAL ASSETS</u></b>		<b>32,523,157</b>	<b>36,304,894</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b><u>Current Liabilities</u></b>			
Prepayments	4	59,251	62,163
Creditors & Accruals	5	366,180	609,185
<b><u>TOTAL LIABILITIES</u></b>		<b>425,431</b>	<b>671,348</b>
<b>EQUITY</b>			
Capital Reserves		35,159,218	35,159,218
Revenue Reserves		(3,061,492)	474,328
<b>Total Equity</b>		<b>32,097,726</b>	<b>35,633,546</b>
<b>TOTAL</b>		<b>32,523,157</b>	<b>36,304,894</b>

The financial statements were approved by the Management on \_\_\_\_\_ 2020 and signed on its behalf by:

Accountant

Name: Kennedy Muriuki

Sign: 

AG General Manager

Name: Robert Mungu

Sign: 

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2020

## 13. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	<b>Capital Reserves Kshs</b>	<b>Revenue Reserves Kshs</b>	<b>Total Kshs</b>
<b>Balance as at 1 July 2018</b>	<b>35,159,218</b>	<b>528,070</b>	<b>35,687,288</b>
Profit / (Loss) for the year		(156,016)	(156,016)
Prior year adjustments		102,273	102,273
<b>Balance as at 1 July 2019</b>	<b>35,159,218</b>	<b>474,328</b>	<b>35,633,546</b>
Profit / (Loss) for the year		(3,535,820)	(3,535,820)
<b>Balance as at 30 June 2020</b>	<b>35,159,218</b>	<b>(3,061,492)</b>	<b>32,097,726</b>

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2020

## 14. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2019/2020 Kshs	2018/2019 Kshs
<b><u>Cash flows from operating activities</u></b>			
Cash generated from operations	13	<u>(2,217,819)</u>	<u>215,990</u>
<b><u>Cash flow from Investing Activities</u></b>			
Purchase of property, plant & equipment	1	(21,050)	(732,671)
Interest Income(Net)		70,386	84,603
<b>Net Cash generated from/(used in) investing Activities</b>		<b>49,336</b>	<b>(648,069)</b>
<b>Net Increase/(decrease) in Cash and Cash Equivalents</b>		<b>(2,168,482)</b>	<b>(432,079)</b>
<b><u>Cash and Cash Equivalents at Year End</u></b>			
<b>Balance at the start of the year</b>		4,960,934	5,393,013
<b><u>Balance at the end of the year</u></b>			
<b>Balance as at 30 June 2020</b>	3	2,792,452	4,960,934

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2020

## 15. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Water Sales	6,595,344			6,420,035	-175,309
Application fee	130,000			32,500	-97,500
Development	30,000			166,150	136,150
Fines /Penalties	450,000			642,700	192,700
Other Income				70,386	70,386
<b>Total Sales</b>	<b>7,205,344</b>			<b>7,331,771</b>	<b>126,427</b>
Recovery of Arrears	1,650,000				-1,650,000
Funding From Company's Savings	2,785,000				-2,785,000
<b>TOTAL INCOME</b>	<b>11,640,344</b>			<b>7,331,771</b>	<b>-4,308,573</b>
<b>EXPENDITURE</b>					
<b>PERSONNEL COSTS</b>					
Gratuity	165,000			0	165,000
Salary	3,963,600			3,796,249	167,351
Statutory Employer contribution (Pension)	462,240				462,240
Statutory Employer contribution (NSSF)	123,552				123,552
Statutory Employer contribution (NHIF)	84,000				84,000
Casuals Wages	180,000			48,350	131,650
Staff Bonus end of year party	30,000				30,000
<b>TOTAL PERSONNEL COSTS</b>	<b>5,008,392</b>			<b>3,844,599</b>	<b>1,163,793</b>
<b>DIRECTORS COSTS</b>					
Board meetings & conferences	155,000			0	155,000
<b>TOTAL DIRECTORS COSTS</b>	<b>155,000</b>			<b>0</b>	<b>155,000</b>
<b>ADMINISTRATION COSTS &amp; STAFFS TRAINING</b>					
Training Allowances(Capacity Building)	150,000			0	150,000
Rent & Rates	16,000			15,000	1,000
Email & Internet	72,000			66,699	5,301
Postage	3,000			14,955	-11,955
Telephone Expenses	60,000			61,175	-1,175
Insurance	12,000			11,464	536
Bank Charges	15,000			30,380	-15,380
AGM expenses (Stakeholders participation)	455,000			1,314,620	-859,620
Public Relations (Baraza)	50,000			6,500	43,500
Staff welfare	30,000			48,044	-18,044

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
Staff Meetings	20,000			0	20,000
Travelling and Accommodation	300,000			2,299,223	-1,999,223
Professional fees( Legal, Company Secretary ,GIS Etc)	200,000				200,000
Security expenses	550,000			31,350	518,650
Computer maintenance	50,000			21,900	28,100
Audit fee	1,260,000				1,260,000
<b>TOTAL ADMINISTRATIVE &amp; TRAINING EXPENSES COSTS</b>	<b>3,243,000</b>			<b>3,921,310</b>	<b>-678,310</b>
<b>OPERATION COSTS</b>					
Uniforms	30,000			0	30,000
Electricity for Lighting	24,952			18,971	5,981
Chemicals	640,000			858,973	-218,973
Transport fuels and diesel	150,000			505,989	-355,989
Stationery/Printing & publishing	50,000			60,528	-10,528
<b>Levies</b>					0
WRUA/WASPA	50,000			20,000	30,000
Water abstraction fees (WRMA)@.50cts and permit	126,000			102,506	23,494
Regulatory Levy-WASREB	70,200			64,200	6,000
Admin cost for WSB	280,800			0	280,800
Transport Operating Expenses	50,000			103,850	-53,850
Transport hire	82,000			65,100	16,900
Office Repairs Painting and Renovations	20,000				20,000
<b>TOTAL OPERATION COSTS</b>	<b>1,573,952</b>			<b>1,800,117</b>	<b>-226,165</b>
<b>MAINTENANCE COSTS</b>					
Water supplies rehabilitation augmentation & maintenance works	160,000			488,806	-328,806
<b>TOTAL MAINTENANCE COSTS</b>	<b>160,000</b>			<b>488,806</b>	<b>-328,806</b>
<b>TOTAL OPERATION &amp; MAINTENANCE COSTS</b>	<b>1,733,952</b>	<b>0</b>	<b>0</b>	<b>2,288,923</b>	<b>-554,971</b>
Provision for Depreciation				812,759	-812,759
<b>TOTAL EXPENDITURE</b>	<b>10,140,344</b>	<b>0</b>	<b>0</b>	<b>10,867,591</b>	<b>-727,247</b>
<b>SURPLUS FOR THE PERIOD</b>	<b>1,500,000</b>	<b>-</b>	<b>-</b>	<b>-3,535,820</b>	<b>5,035,820</b>

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2020

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 16. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The principal accounting policies adopted in the preparation of these statements are set out below:

#### (a) Statement of compliance and Basis of preparation

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

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

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

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

#### Application of new and revised IFRS

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

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2020

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

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

- **Water sales**

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

- **Application Fee**

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

- **Development Fee**

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

- **Fines/Penalties**

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

- **Other incomes/Miscellaneous**

Relates to Surcharges to staff or any other income other than the above

#### (c) Property, Plant and Equipment

Items of property, plant and equipment are stated at historical costs less accumulated depreciation. Depreciation is charged on a reducing balance basis over the estimated useful lives of the asset. The annual rates of the depreciation used are as follows:

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

#### (d) Cash and cash equivalent

For the purposes of cash flow statements, cash and cash equivalents comprise of bank balances and short term deposits.

#### (e) Incorporation

The Company is incorporated in Kenya under the Companies Act.

#### (f) Currency

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

#### (g) Trade and other payables

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

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2020

## 17. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### (h) Risk Management

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

#### (ii) Credit risk

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

#### (iii) Liquidity risk

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

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

#### (iv) Market risk

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

	AS AT 30 <sup>TH</sup> JUNE 2020	AS AT 30 <sup>TH</sup> JUNE 2019
CASH AT HAND	10,350	100
BANK BALANCE	2,782,102	4,960,834

### (i) Comparative figures

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

### (j) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the Financial statements for the year ended June 30, 2020

### (k) Budget information

The original budget for FY 2019-2020 was approved by the County representatives on 6th Sep 2019. No Subsequent revisions or additional appropriations were made to the approved budget in the ended 30th June 2020.

### (l) Related Parties

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

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2020

## (m) Provision for staff leave

Employees are entitled to annual leave every financial year.

## Notes to the Financial Statements -(Continued)

### 1. PROPERTY , PLANT & EQUIPMENT SCHEDULE

	Land	Building & Water Supply Assets	Fixtures & Fittings meters	Fencing and other operational Assets	Computer Software & Hardware	Electrical Installation	Test Equipment	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>COST</b>								
AT 1 July 2018	1,938,269	31,943,941	666,530	747,427	417,489	40,040	1,200,000	36,953,696
Additions		732,671					0	732,671
Transfer								0
At 30 June 2019	1,938,269	32,676,612	666,530	747,427	417,489	40,040	1,200,000	37,686,367
<b>COST</b>								
AT 1 July 2019	1,938,269	32,676,612	666,530	747,427	417,489	40,040	1,200,000	37,686,367
Additions		21,050					0	21,050
Transfer								0
At 30 June 2020	1,938,269	32,697,662	666,530	747,427	417,489	40,040	1,200,000	37,707,417
<b>ACCUMULATED DEPRECIATION</b>								
At 1 July 2018	0	5,892,554	204,475	510,868	392,201	23,762	747,421	7,771,281
Charge for the yr	0	669,601	57,757	59,140	7,586	1,628	67,887	863,599
At 30 June 2019	0	6,562,155	262,232	570,008	399,787	25,390	815,308	8,634,880
<b>ACCUMULATED DEPRECIATION</b>								
At 1 July 2019	0	6,562,155	262,232	570,008	399,787	25,390	815,308	8,634,880
Charge for the yr	0	653,388	50,537	44,355	5,310	1,465	57,704	812,759
At 30 June 2020	0	7,215,543	312,769	614,363	405,098	26,855	873,012	9,447,639
<b>NET BOOK VALUE</b>								
At 30 June 2020	1,938,269	25,482,119	353,761	133,064	12,391	13,185	326,988	28,259,778
At 30 June 2019	1,938,269	26,114,457	404,298	177,419	17,702	14,650	384,692	29,051,487

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2020

## Notes to the Financial Statements Continued

	<u>2019/2020</u>	<u>2018/2019</u>
	KShs	KShs
<b>2</b>		
<b>Receivables</b>		
Trade receivables	1,470,928	2,279,773
Prepaid NHIF	0	5,900
Staff Debtors	0	6,800
	<b><u>1,470,928</u></b>	<b><u>2,292,473</u></b>
<b>3</b>		
<b>Cash &amp; Cash Equivalent</b>		
<u>Cash at bank</u>		
Cooperative Bank-01100272011801	2,632,512.97	562,727
Recurrent(Equity Bank)-0420299470198	62,056.33	1,330,241
Equity Bank-0420499470176	35,007.20	334,571
Treasury Bills	0	2,500,000
Mpesa	52,525.00	233,296
Cash in hand	<u>10,350.00</u>	<u>100</u>
	<b><u>2,792,452</u></b>	<b><u>4,960,934</u></b>
<b>4</b>		
<b>Prepayments</b>		
Prepayments relates to debtors (water sales customers) with credit balances (overpayments)	59,251	62,163
<b>5</b>		
<b>Creditors and Accruals</b>		
Trade Creditors	63,444	45,294
Gratuity	113,000	339,999
Payroll deductions	30,104	124,665
Levies	159,634	99,227
	<b><u>366,182</u></b>	<b><u>609,185</u></b>
<b>6</b>		
<b>INCOME(GROSS TURNOVER/SALES)</b>		
Water Sales	6,420,035	6,802,115
Application fee	32,500	23,800
Development	166,150	115,520
Fines /Penalties	642,700	343,101
	<b><u>7,261,385</u></b>	<b><u>7,284,536</u></b>
<b>7</b>		
<b>Finance Income</b>		
Other Income-Finance Income	70,386	237,156
<b><u>EXPENDITURE</u></b>		
<b>8</b>		
<b><u>PERSONNEL COSTS</u></b>		
Salary	3,796,249	4,153,083
Casual Wages/Gratuity	48,350	378,000
<b>TOTAL PERSONNEL COSTS</b>	<b><u>3,844,599</u></b>	<b><u>4,531,083</u></b>
<b>9</b>		
<b><u>DIRECTORS COSTS</u></b>		
Board meetings & conferences	0	238,850
<b>TOTAL DIRECTORS COSTS</b>	<b><u>0</u></b>	<b><u>238,850</u></b>
<b>10.a</b>		
<b><u>TRAINING EXPENSES</u></b>		

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2020

	Training Allowances(Capacity Building)	0	0
	<b>Total training expenses</b>	-	-
	<b>Notes to the Financial Statements Continued</b>		
10.b,	<b><u>ADMINISTRATION COSTS &amp; STAFFS TRAINING</u></b>		
	Rent & Rates	15,000	12,000
	Email And Internet	66,699	0
	Postage	14,955	127,187
	AGM Expenses	1,314,620	0
	Public relations	6,500	0
	Bank Charges	30,380	20,876
	Meeting and Conference	0	24,000
	Telephone expenses	61,175	0
	Staff welfare	48,044	0
	Travelling & Accommodation	2,299,223	185,900
	Insurance	11,464	11,464
	Other Admin Costs-Penalty	0	22,693
	Security Expenses	31,350	0
	Computer Maintenance	21,900	0
10	<b>TOTAL ADMINISTRATIVE COSTS</b>	<b>3,921,310</b>	<b>404,120</b>
	<b>TOTAL ADMINISTRATIVE &amp; TRAINING EXPENSES COSTS</b>	<b>3,921,310</b>	<b>404,120</b>
11. a	<b><u>OPERATION COSTS</u></b>		
	Office Expenses	0	267,395
	Electricity for Lighting	18,971	17,015
	Chemicals	858,973	811,787
	Transport fuels and diesel	505,989	70,092
	Stationery, Printing and Publishing	60,528	0
	Statutory Levies	186,706	184,757
	Transport Operating Expenses	103,850	0
	Transport Hire	65,100	0
	<b>TOTAL OPERATION COSTS</b>	<b>1,800,117</b>	<b>1,351,046</b>
11,b	<b>MAINTENANCE COSTS</b>		
	Water supplies rehabilitation augmentation & maintenance works	488,806	289,010
11	<b>TOTAL MAINTENANCE COSTS</b>	<b>488,806</b>	<b>289,010</b>
	<b>TOTAL OPERATION &amp; MAINTENANCE COSTS</b>	<b>2,288,923</b>	<b>1,640,056</b>
12	<b>Provision for Depreciation</b>	<b>812,759</b>	<b>863,599</b>

# RUKANGA WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2020

## 13 NOTES TO STATEMENT OF CASH FLOW

Net (Deficit) Surplus before tax	(3,535,820)	(156,016)
Adjustment for: depreciation	812,759	863,599
Interest income	(70,386)	(84,603)
Prior year adjustment	0	102,254
	<u>(2,793,447)</u>	<u>725,254</u>
Adjustment for working capital changes		
(Increase)Decrease in Receivables	821,545	(858,724)
Increase (Decrease) in Prepayments (prepaid bills)	(2,912)	22,064
Increase (Decrease) in Creditors & Accruals	(243,005)	327,395
Changes in working capital	<u>575,628</u>	<u>(509,265)</u>
Cash generated from operations	<u>(2,793,447)</u>	<u>215,990</u>

