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REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

	PAPERS LAID
DATE	23/02/2022
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COMMITTEE	-
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**RUIRU-JUJA WATER AND SEWERAGE
COMPANY LIMITED**

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



RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD

REPORTS AND FINANCIAL STATEMENTS

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

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

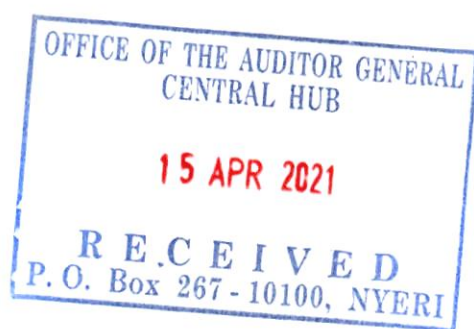


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1. KEY ENTITY INFORMATION

Background information

Ruiru-Juja Water and Sewerage Company Ltd is a public company established under the Water Act No. 43 of 2016 and Licensed by Athi Water Services Board. At cabinet level, Ruiru-Juja Water and Sewerage Company Ltd is represented by the Cabinet Secretary for Water and Sanitation who is responsible for the general policy and strategic direction of the Ruiru-Juja Water and Sewerage Company Ltd . Ruiru-Juja Water and Sewerage Company Ltd is domiciled in Kenya and has no branches.

Principal Activities

The principal activity of Ruiru-Juja Water and Sewerage Company Ltd is to provide quality and affordable water and sewerage services in Ruiru and Juja Constituencies in the Kiambu County.

Board of Directors

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

1. Prof. Bernard Njoroge - Chairman
2. Mr. James Muriuki - Member
3. Eng. Andrew Muigai - Member
4. Mr Samuel Gatama - Member
5. Mrs Emma Ng'ang'a - Member
6. Prof. Steven Njuguna - Member
7. Bishop Solomon Waweru - Member
8. Mr Ndungu Wa Munywe - Member
9. Mr Dominic Gachanja - Member
10. Dr Martin Njogu - Member
11. Mr John Mutie - Member
12. Mrs Josephine Muritu - Company/Board Secretary

Registered Office

Ruiru-Juja Water and Sewerage Company, Adjacent to Kenyatta
University Ruiru Campus, Opposite Kenya Power Offices
P.O. Box 1165-00232
Ruiru, KENYA

Corporate Headquarters

P.O. Box 1165-00232
Ruiru-Juja Water and Sewerage Company, Adjacent to Kenyatta University Ruiru Campus
Nairobi, KENYA

Corporate Contacts

Telephone:020-2022651

E-mail: rujwasco2017@gmail.com

Corporate Bankers

1. Kenya Commercial Bank
Ruiru Branch
P.O. Box 400-00232,
Ruiru

2. Barclays Bank of Kenya
Juja Branch
P.O. Box 580-01001,
Juja

3. Family Bank
Juja Branch
P.O. Box 788-00232,
Ruiru

4. Post Bank
Ruiru Branch
P.O. Box 30311-00100,
Nairobi







Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

2. THE BOARD OF DIRECTORS AND MANAGEMENT TEAM

	<p>1. Name: Prof. Eng. Bernard Njoroge 2. Position: Chairman 3. DoA : 2018 4. Qualification: Ph.D Duke University (U.S.A); M.Sc. New Castle Upon Tyne (U.K); B.Sc.(U.O.N.), Civil Engineering Eng.; M.I.E.K. 5. Work Experience: U.O.N Professor Faculty of Engineering from year 2002</p>
	<p>1. Name: John Mwivithi Mutie 2. Position: Chief Officer Water and Director 3. DoA: 1st March 2019 4. Qualification: LLB (UoN); CPS(K) 5. Work Experience: Worked with the defunct local Authorities as town clerk/County Clerk in various Local Authorities. Served as County Assembly Clerk/ Secretary to County Assembly of Kiambu. Currently on secondment to County Executive as Chief Officer Department of Water, Environment, Energy and Natural Resources. Also assignment Department of Administration and Public Service as the Acting Chief Officer</p>
	<p>1. Name: Josphine W. Muritu 2. Position: Company Secretary 3. DoA: 2018 4. Qualification: LLB (UoN) 5. Work Experience: Worked with Kiambu County Government Senior Legal Counsel, Assistant Director (Quality Assurance, compliance and Accreditation), Assistant Commission Secretary (Legal Affairs), Assistant Counsel Mwaniki & Company Advocates, Counsel Musyimi & Company Advocates</p>
	<p>1. Name: Prof Steven Njuguna 2. Position: Director 3. DoA : 2018 4. Qualification: Phd, Msc, Bsc(1st Class Hons) Environmental Science, Diploma in Education 5. Work Experience: Kenyatta University, Faculty of Environmental Studies</p>
	<p>1. Name: Mr. James Gitau Muriuki 2. Position: Director 3. DoA : 2018 4. Qualification: Bachelor of Science in Chemistry/Biochemistry, Msc. Environmental Health Engineering Sector: Representative of Water Consumers 5. Work Experience: Ministry of Water and Irrigation, Technical Consultant on Water and Waste water Treatment and Quality Analysis; Environmental Audits, Environmental Impact Assessments (EIA).</p>
	<p>1. Name: Samuel Gatama 2. Position: Director 3. DoA : 2018 4. Qualification: Business man, S I Teacher 5. Work Experience: Retired teacher over 30Years Experience</p>

Ruiru-Juja Water and Sewerage Company Ltd
Reports and Financial Statements
For the year ended June 30, 2020

	<p>1. Name: Eng. Andrew Muigai 2. Position: Director 3. DoA : 2018 4. Qualification: Bsc Civil Engineering UON 5. Work Experience: Director Kenya Industrial Research and Development Institute Entrepreneur Engineer and Management Consultant</p>
	<p>1. Name: Emma Waithera Ng'ang'a 2. Position: Director 3. DoA : 2018 4. Qualification: Msc Corporate Entrepreneurship 5. Work Experience: 40 years' experience in Business and Marketing</p>
	<p>1. Name: Ndung'u Wa Munywe 2. Position: Director 3. DoA : 2018 4. Qualification: Bachelor of Arts, Advanced Public Administration 5. Work Experience: Worked with UON as Senior Administration Assistant. Ministry of Water and Ministry of Commerce</p>
	<p>1. Name: Dominic Gachanja 2. Position: Director 3. DoA : 2018 4. Qualification: Doctor in Pharmacy 5. Work Experience: Businessman Thika, Board Member Land Control Board</p>
	<p>1. Name: Bishop Solomon Waweru 2. Position: Director 3. DoA : 2018 4. Qualification: Retired Public Officer 5. Work Experience: Bishop of A Church- Representative of NGOs</p>
	<p>1. Name: Dr. Martin Njogu Mbugua 2. Position: Director 3. DoA : 2018 4. Qualification: Doctor of Philosophy - Chemistry 5. Work Experience: Lecturer and researcher, Department of Chemistry/UoN</p>

3. MANAGEMENT TEAM

	<p>1. Name: Simon M Mwangi</p> <p>2. Position: Managing Director</p> <p>3. Academic Qualification: BComm(Finance), Member of ICPAK</p>
	<p>1. Name: Mary N Karogo</p> <p>2. Position: Finance Manager</p> <p>3. Academic Qualification: MBA(Finance), BComm (Finance), Member of ICPAK</p>
	<p>1. Name: Mary W Mwangi</p> <p>2. Position: Technical Manager</p> <p>3. Academic Qualification: BSc in Environmental Engineering</p>
	<p>1. Name: Joyce N Mburu</p> <p>2. Position: Assistant Manager-Procurement</p> <p>3. Academic Qualification: Graduate Diploma in Purchasing & Supply (MCIPS UK, KISM)</p>
	<p>1. Name: Fridah W Kimani</p> <p>2. Position: Internal Auditor</p> <p>3. Academic Qualification: BComm (Finance), Member of ICPAK</p>

4. CHAIRMAN'S STATEMENT

Overview

Ruiru-Juja water and sewerage Company remains committed to discharging her mandate by fulfilling the mission of serving the residents as stipulated in the service charter. This is evidenced by the continued increase in water and sewer connectivity that is supported by provision of high quality and reliable water supply to customers as well as the improved sanitation standards in our area of jurisdiction.

Key Activities and Successes

During the financial year, the company implemented key development projects in line with the strategic objectives of increasing access and coverage to water and sewer services while ensuring long term financial sustainability. Some of the key projects that were implemented includes: water extension works to unserved areas, sewer extensions in Ruiru and major pipeline network renewal. The company has also achieved a milestone in mapping and creating a GIS database of water infrastructure and customers.

Challenges Faced

The company has however faced a few challenges in meeting water demand requirements of the population in the area of jurisdiction. Covid -19 pandemic also posed a major challenge on revenue collection.

Future Outlook

The future of the company is very promising as implementation of key development projects that are externally funded are undertaken in the area of jurisdiction. I wish to inform that, the Githurai water project funded under KFW financing, commenced construction in May 2020 and the expected completion is November 2021. This shall resolve water shortage in Githurai.

Construction works for Karimenu II dam project is in progress.

Appreciation

I greatly appreciate invaluable support that my Board continues to receive from our shareholder, stakeholders and customers. I also wish to thank Management and Staff of RUJWASCO, who have all worked very hard with great motivation to ensure that the Company continues to register excellent performance.


CHAIRMAN
BOARD OF DIRECTORS

5. REPORT OF THE CHIEF EXECUTIVE OFFICER

INTRODUCTION.

As we mark 13 years of our company's existence it is always my pleasure to look back and appreciate how far our company has come. Performance has been improving each year and despite all challenges we have managed to increase our customer base from the initial 2,000 customers at inception to the current 32,000 customers. This has made our company to graduate from small size company to medium size and eventually to large company. This has been achieved through the commitment of our shareholder, County Government of Kiambu who has given us an enabling environment and support to perform our duties. The support from our major stakeholders and our partners has improved our infrastructures and other support systems and we are grateful. The commitment of staff and the team spirit has completed the full circle in our Company management and to all I say thank you.

KEY ACTIVITIES AND SUCCESSES

During the financial year, the company implemented key development projects in line with the strategic objectives of increasing access and coverage to water and sewer services while ensuring long term financial sustainability. Some of the key projects that were implemented includes: water extension works to unserved areas of total length 25km, 8.4km sewer extensions in Ruiru and major pipeline network renewal of 45km. The company has also achieved a milestone in mapping and creating a Geographical information database of the water infrastructure and the customers in regards to attaining better operations and maintenances efficiency.

CHALLENGES FACED

The company has however faced a few challenges in meeting water demand requirements of the population in the area of jurisdiction with an approximate deficit of 25,000M³ portable water. Covid -19 pandemic also posed a major challenge on revenue collection with revenues registering a declining trend between the months of April to July.

FUTURE OUTLOOK

The future of the company is very promising as implementation of key development projects that are externally funded are undertaken in the area of jurisdiction. I wish to inform that, the Githurai water project funded under KFW financing, commenced construction in May 2020 and the expected completion is November 2021. The project which entails increasing Ruiru water supply production in Jacaranda from the current 13,000M³/day to 28,000M³/day and a water transmission main and distribution network to the greater Githurai area, shall resolve water shortage in Githurai.

Construction works for Karimenu II dam project is in progress. The company is also expected to benefit from Karimenu II dam project with a boost of approximately 26,000M³ water supply.

Lastly, the Juja sewerage project funded by the world bank is expected to be substantially complete by August 2020.

PERFORMANCE OF THE COMPANY.

The Company continues to perform well in its areas of operations. The monthly revenue collection has improved from Kshs 2M in the year 2009 to an average of Kshs 45M per month in the current year. It is my hope that the company will continue to do better. The improved performance is greatly attributed to efficiency in the areas of operations and therefore the company has managed to utilize internally generated funds to develop its water system infrastructure. The company has also received great support from the world Bank through AWWDA.

IMPACT OF UPCOMING PROJECTS

The company has received funds from KFW through Athi Water Works Development Agency (AWWDA) which will be used to expand the current treatments works from the current water production capacity of 13,000 cubic meters to 28,000 cubic meters and construct Githurai water supply by the year 2021. This is set to take over areas of Kahawa Sukari and Githurai areas currently supplied by Nairobi Water Co Ltd

CONCLUSIONS

Since much has been said by our Chairman, I thank you all once again for the support we have received from our Shareholder and other stakeholders to take our company, Ruiru-Juja Water and Sewerage Company to the next level. On behalf of all the staff, thank you.



Mr. Simon Mwangi

MANAGING DIRECTOR

6. REVIEW OF RUIRU JUJA WATER AND SEWERAGE PERFORMANCE FOR FY2019/2020

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Ruiru-Juja Water and Sewerage Company Ltd has 5 strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

- Pillar 1: Utilisation of Water Production capacity and Water Quality Monitoring
- Pillar 2: Non-revenue water reduction
- Pillar 3: Collection efficiency improvement
- Pillar 4: Compliance to budgetary revenue
- Pillar 5: Number of Paying Customers increase

Ruiru-Juja Water and Sewerage Company Ltd develops its annual work plans based on the above 5 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. Ruiru-Juja Water and Sewerage Company Ltd level of achievement on its performance targets set for the FY 2019/2020 period for its 5 strategic pillars, is indicated in the diagram below:

S/No.	Performance Criteria	Unit Measure	of	Status Previous Year (FY 2018/19)	Target (FY 2019/20)	Actual FY 2019/20
1	Utilisation of Water Production capacity	%		100%	100%	122%
	Water Monitoring Quality	Quarterly Reports		N/A	4 Reports	3 Reports
2	Non-revenue water	%		33%	33%	31.70%
3	Collection efficiency	%		97%	96%	87.70%
4	Compliance to budgetary revenue	%				
				100%	100%	88.00%
5	Number of Paying Customers	No.		80%	90%	76.70%

7. CORPORATE GOVERNANCE STATEMENT

Ruiru-Juja Water and Sewerage Company is committed to operating under a clear governance framework and strongly adheres to sound management and control practices.

Ruiru-Juja Water and Sewerage Company is committed to ensuring compliance with the Service Provision Agreement (SPA) signed with Water Services Regulatory Board (WASREB).

Essential to the establishments of a good governance framework is formal governance structures designed to ensure accurate reporting to the board to facilitate an informed decision making, progress assessment and improvement of performance.

Board of Directors

Ruiru-Juja water and Sewerage Company is governed by a Board of Directors comprising of Twelve members representing various stake holder's interests. The Board provides leadership, exercises enterprises integrity and judgement in directing Ruiru-Juja Water and Sewerage company. The Board also sets company policies.

The Board is expected to determine the purpose and values of Ruiru-Juja Water and Sewerage Company, determine the strategy to achieve that purpose and implement its values in order to ensure the company survives and thrives.

The Board has been trained in Corporate Governance practices in running of Ruiru-Juja Water and Sewerage Company and to bring the level of governance in the company in line with international standards. The essence of corporate governance is to protect stakeholder interests including the government, water service providers, consumers and the communities.

The Board has been trained in Corporate Governance and Procurement procedures to ensure that the company is run effectively and efficiently.

Managing Director

Responsibility for execution of the Board's policies lies with the Managing Director. The Managing Director's role is to provide the strategic leadership for the organization and act as the link between the staff and the Board of Directors.

Governance Structures

Individual directors of the Board are appointed according to the Water Act No. 43 of 2016 by various stakeholders.

Board Committees

Ensuring that corporate governance is enhanced and that the power of Ruiru-Juja Water and Sewerage Company is exercised in the stewardship of the company's total portfolio of assets and resources with the objective of maintaining stakeholders' value, the Board of Directors has established the following committees:

Finance and Administration Committee

The Finance committee is the overseer of the financial reporting process and the corporation internal controls.

The Committee is also responsible for efficient allocation and utilization of resources, proposing investment and funding programs for the company.

In addition, the Committee ensures that RUJWASCO has the right staff and also ensures that the staff welfare is guaranteed. Their terms of reference include but not confined to human resource planning, employee welfare, recruitment, training, performance appraisal, discipline, health and safety and HIV/AIDs.

Audit Committee

This Committee has the oversight responsibility of ensuring that the integrity of internal controls of the company.

It also reviews financial statements to ensure compliance with accounting Standards and Legal Requirements.

Directors' Attendance in Financial Year 2019/2020

NO	NAME	DESIGNATION	FULL BOARD	SUB COMMITTEES			
				FINANCE	HUMAN RESOUR	TECHNICAL	RISK & AUDIT
1	PROF. BERNARD NJOROGE	CHAIRMAN	8	0	0	0	0
2	JAMES MURIUKI	MEMBER	8	2	0	0	0
3	ENG. ANDREW MUIGAI	MEMBER	8	2	3	0	0
4	PROF. STEPHEN NJUGUNA	MEMBER	6	0	0	0	1
5	EMMA NGANGA	MEMBER	8	0	5	0	1
6	SAMUEL GATAMA NJUGUNA	MEMBER	6	2	0	0	0
7	NDUNGU WA MUNYWE	MEMBER	4	0	3	0	1
8	BISHOP SOLOMON WAWERU	MEMBER	8	2	0	0	0
9	MARTIN NJOGU	MEMBER (COUNTY SECRETARY)	6	1	0	0	0
10	JOHN MUTIE	MEMBER (CHIEF OFFICER COUNTY)	5	0	0	0	0
11	DOMINIC GACHANJA	MEMBER	7	0	4	0	1

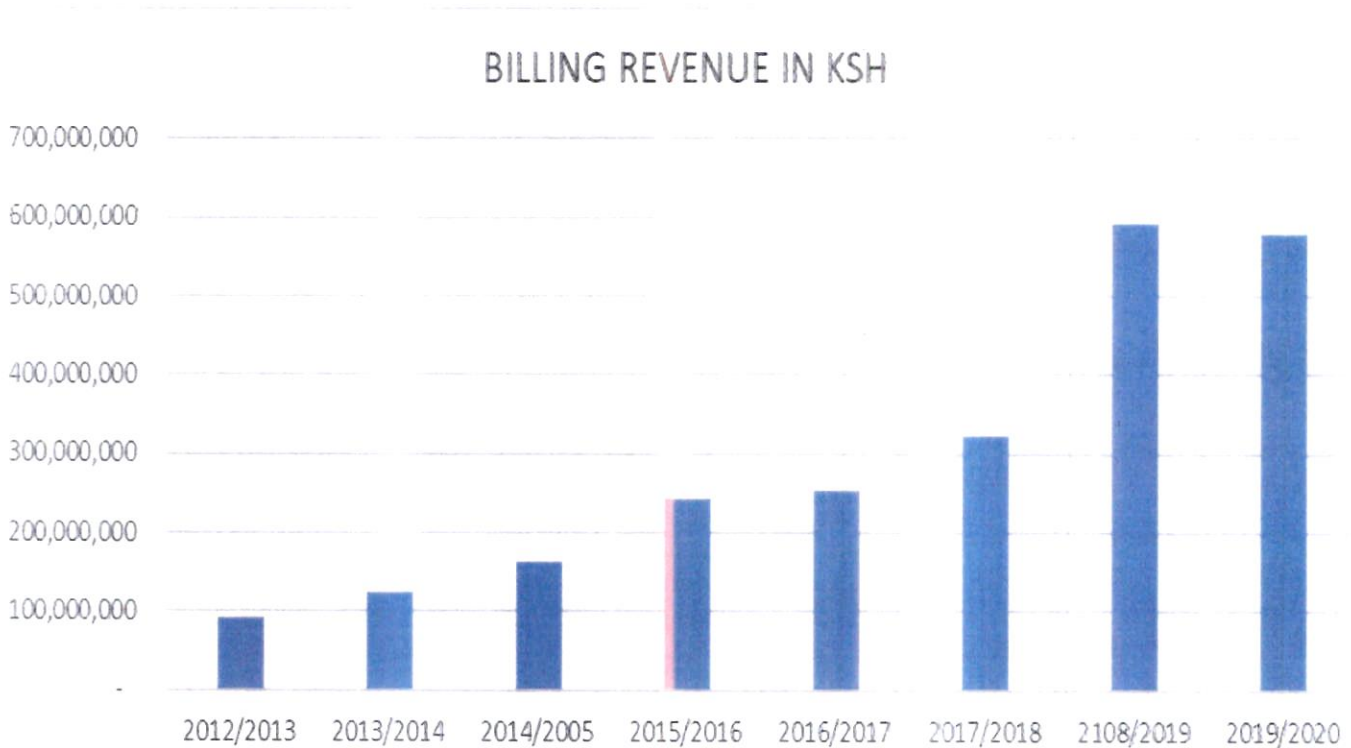
8. MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE

Performance has been improving each year and despite all challenges. Our customer base has grown from the initial 2,000 customers at inception in 2006 to the current 32,000 customers. This has made the company to graduate from small size company to medium size and eventually to large company.

Billing revenue has grown tremendously for the last eight years. In the financial year 2012/2013, billing for water was Ksh 93M. This peaked in year 2018/2019 to Ksh 593M with a slight decline to Ksh 578M in year 2019/2020. This has generated resources to the company which has been utilized in rehabilitation of old production plants, sewer network expansion and modernization of water system network.

The graph below demonstrates how billing revenue has grown from year 2012/2013 up to date.



We have made it a practice not to hold idle cash. Cash in customer deposits has from time to time been invested in fixed and call deposits and the company in return get interest income.

9. CORPORATE SOCIAL RESPONSIBILITY RESPONSIBILITY STATEMENT/SUSTAINABILITY

Ruiru Juja Water and Sewerage Company Limited vision is to be a world class provider of water and sewerage services. Our mission is to provide quality and reliable water and sewerage services by embracing high standards of professionalism and integrity in our service delivery.

Our core values define our systems of shared norms in our organizational setting.

Everything we do is guided by the following corporate values namely;

- Integrity in all our actions
- Key focus on customer service
- Efficiency in management of all resources
- High commitment to corporate social responsibility
- Embracing team work
- Passion for excellence
- Environmental sustainability
- Continuous staff development/Continuous professional development

Guided by these values Ruiru Juja Water and Sewerage Company Limited was able to achieve the following during the year in these areas;

Sustainability strategy and profile

The company is wholly owned by Kiambu county government. It accords cooperation to the county government all the time by availing all the information they need for oversight.

The company is regulated by WASREB and also is under administration of AWWD. We ensure their levies are paid promptly.

Environmental performance

The company participated in the forest challenge 2019 at Kereita on 30th November 2019 organised by Kijabe Environment Volunteers aimed at raising awareness about the crucial role that forests play in sustaining life, and become part of the solution in reversing deforestation in Kenya for sustainable future.

Employee welfare

The company hiring process ensures fairness and have met the two third gender rule. We also ensure equity at work place and employees get training regularly depending on training needs identified by HR department.

Market place practices

The company charge customers' levies as stipulated by WASREB tariff guideline.

Community engagements

The company has engaged four sociologists who directly interact with community and give feedback to management on community expectations and pro poor community projects.

10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Ruiru-Juja Water and Sewerage Company Ltd affairs.

Principal activities

The principal activity of Ruiru-Juja Water and Sewerage Company Ltd is to provide quality and affordable water and sewerage services in Ruiru and Juja Constituencies in the Kiambu County.

Results

The results of the entity for the year ended June 30, 2020 are set out on page 1

Dividends

The Directors recommend no dividend payment for the year.

Directors

The members of the Board of Directors who served during the year are shown on page iv In accordance with Ruiru-Juja Water and Sewerage Company Ltd Articles of Association.

Auditors

The Auditor General is responsible for the statutory audit of Ruiru-Juja Water and Sewerage Company Ltd in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



Secretary
Nairobi

Date: 28/09/2020

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

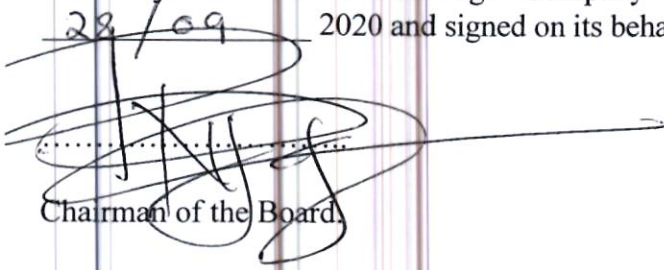
Section 149 of the Public Finance Management Act, 2012 require the Directors to prepare financial statements in respect of that Ruiru-Juja Water and Sewerage Company Ltd, which give a true and fair view of the state of affairs of Ruiru-Juja Water and Sewerage Company Ltd at the end of the financial year/period and the operating results of Ruiru-Juja Water and Sewerage Company Ltd for that year/period. The Directors are also required to ensure that Ruiru-Juja Water and Sewerage Company Ltd keeps proper accounting records which disclose with reasonable accuracy the financial position of Ruiru-Juja Water and Sewerage Company Ltd. The Directors are also responsible for safeguarding the assets of Ruiru-Juja Water and Sewerage Company Ltd.


The Directors are responsible for the preparation and presentation of Ruiru-Juja Water and Sewerage Company Ltd financial statements, which give a true and fair view of the state of affairs of Ruiru-Juja Water and Sewerage Company Ltd for and as at the end of the financial year (period) ended on June 30, 2020. 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 Ruiru-Juja Water and Sewerage Company Ltd; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Ruiru-Juja Water and Sewerage Company Ltd financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Ruiru-Juja Water and Sewerage Company Ltd financial statements give a true and fair view of the state of Ruiru-Juja Water and Sewerage Company Ltd transactions during the financial year ended June 30, 2020, and of Ruiru-Juja Water and Sewerage Company Ltd financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Ruiru-Juja Water and Sewerage Company Ltd, which have been relied upon in the preparation of Ruiru-Juja Water and Sewerage Company Ltd financial statements as well as the adequacy of the systems of internal financial control.

Approval of the financial statements

Ruiru-Juja Water and Sewerage Company Ltd financial statements were approved by the Board on 28/09 2020 and signed on its behalf by:


Chairman of the Board


Managing Director

REPUBLIC OF KENYA

Phone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON RUIRU-JUJA WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Ruiru-Juja Water and Sewerage Company Limited set out on pages 1 to 32, 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, the financial statements present fairly, in all material respects, the financial position of the Ruiru-Juja Water and Sewerage 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 and comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Ruiru-Juja Water and Sewerage 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 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.

Prior Year Issues

In the report of the previous year, several issues were raised under Report on the Financial statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, although the Management has indicated that some of the issues have been resolved, the matters remained unresolved as the County Assembly has not met to deliberate on the same.

Other Information

The Directors are responsible for the other information. The other information comprises the report of directors as required by the Companies Act, 2015, and the statement of the Directors' Responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date.

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

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that there is material misstatement of this other information, I am required to report that fact. In this regard, I wish to report as follows:

On page iv of the report on Key Entity Information attached to the financial statements for the year ended 30 June, 2020 are names of twelve directors who served the Company during the year under review. However, the directors' dates of birth were not provided contrary to the guidelines prescribed by the Public Sector Accounting Standards Board.

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, 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 Non-Compliance with Law on Board Meetings

The Company did not hold an Annual General Meeting during the year under review, contrary to Section 310(1) of the Companies Act, 2015 which provides that every

Report of the Auditor-General on Ruiru-Juja Water and Sewerage Company Limited for the year ended 30 June, 2020

public company shall hold a general meeting as its annual general meeting within six months from and including the day following its accounting reference date in each year, whether or not it holds other meetings during that period. Further, Management did not provide for audit board minutes and attendance register to confirm that the Board met during the year to approve the financial statements. This is contrary to Section 652(1) of the Companies Act, 2015, which requires that as soon as practicable after a company's annual financial statements have been prepared, the directors shall approve the statements and arrange for one or more of them to sign it.

Consequently, Management of the Company was in breach of law in not holding the required meetings.

2.0 Non-Compliance with Law on Ethnic Composition

During the year under review, the Company had a total of one hundred and ninety-eight (198) employees out of which one hundred and fifty-five or 78% were from one dominant ethnic community contrary to the requirements of section 7(2) of the National Cohesion and Integration act, 2008 which requires that at least 30% of employees are from other ethnic communities.

Consequently, Management was in breach of law.

3.0 Non-Compliance with Income Tax Act

The statement of financial position as at 30 June, 2020 reflects trade and other payables balance of Kshs.159,837,480 which includes unpaid corporation tax amounting to Kshs.19,319,539 accrued in the financial year 2019/2020 and prior years. No explanation was given for the failure to remit the outstanding amount to the Kenya Revenue Authority.

Consequently, the Water company was in breach of Sections 52B(91)(b) and 92(2)(b) of Income Tax Act, 2019 which requires the Company to file returns and pay any corporation tax due within six months after the end of the financial year.

4.0 Non-Revenue Water

During the financial year 2019/2020, the company produced a total of 9,955,079 cubic meters (M³) of water out of which 6,798,869 M³ of water was billed to customers. The balance of 3,156,210 cubic meters (M³) or approximately 32% of the total volume of water produced represented non-revenue water which is 7% over and above the allowable loss of 25% in accordance with WASREB guidelines respectively. The non-revenue water of 32% may have resulted in loss of water sales estimated at Kshs.268,681,347.

The significant level of non-revenue water is an indication of inefficiency and ineffectiveness in use of the resources by the company and, may negatively impact on the company's profitability and its ability to sustain services in the long run.

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 governance were not effective.

Basis for Conclusion

Failure to Prepare Company's Strategic Plan

During the year under review, the Company operated without a strategic plan. Although Management explained the situation was occasioned by a planned merger of all water companies in Kiambu County, whereby a single strategic plan was prepared for Kiambu Water and Sewerage Company Limited into which the various water companies in the county were to be consolidated, the merger had not been finalized as at the time of audit in February, 2021.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;
- (iii) The Company's statement of financial position and statement of comprehensive income are in agreement with books of account; and

- (iv) In my opinion, the information given in the report of the directors on page xii is consistent with the financial statements.

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 the requirements of the Companies Act, 2015 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 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.

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

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 directors.
- 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 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 Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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 February, 2022

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

	Note	2019/2020 Kshs	2018/2019 Kshs
REVENUES			
Sales	1	578,773,049	593,114,789
Grants -Amortised	2	1,225,729	1,361,921
Other Income	3	15,883,339	37,812,162
TOTAL REVENUES		595,882,117	632,288,872
OPERATING EXPENSES			
Administration Expenses	4	53,594,409	61,223,828
Staff Expenses	5	145,224,475	79,745,863
Board Expenses	6	-	260,000
Operational Expenses	7	297,452,199	397,482,778
Regulatory Expenses	8	44,674,318	33,305,026
Depreciation of property, plant and equipment	12	17,587,356	17,720,296
Amortisation of Intangible Assets	13	759,505	-
TOTAL OPERATING EXPENSES		559,292,261	589,737,791
OPERATING PROFIT	9	36,589,855	42,551,081
Finance Income	10	1,186,930	5,258,356
PROFIT/(LOSS) BEFORE TAXATION		37,776,786	47,809,437
INCOME TAX EXPENSE	11	11,333,036	14,342,831
PROFIT AFTER TAXATION		26,443,750	33,466,606

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14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019/2020 Kshs	2018/2019 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	98,802,814	99,994,042
Intangible assets	13	3,038,018	-
Investment property			
Total Non-Current Assets		101,840,832	99,994,042
Current Assets			
Inventories	14	10,954,118	14,110,332
Trade and other receivables	15(a)	130,785,807	98,900,708
Short-term deposits	16	110,077,072	75,258,356
Bank and cash balances	17	45,361,406	52,841,862
Total Current Assets		297,178,403	241,111,258
TOTAL NON-CURRENT AND CURRENT ASSETS		399,019,235	341,105,300
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	18	40	40
Revaluation reserve	19	5,889,458	5,889,458
Retained earnings	20	202,941,161	176,497,411
Capital and Reserves		208,830,659	182,386,909
Non-Current Liabilities			
Deferred Grant Revenue	21	11,031,557	12,257,285
Total Non-Current Liabilities		11,031,557	12,257,285
Current Liabilities			
Trade and other payables	22	159,837,480	138,474,600
Tax Liability	23	19,319,539	7,986,506
Total Current Liabilities		179,157,019	146,461,106
TOTAL EQUITY AND LIABILITIES		399,019,235	341,105,300

The financial statements were approved by the Board on 28/09 2020 and signed on its behalf by:

Director General/C.E. O/M. D
 Name: Simon Mwangi

Sign:.....

Head of Finance
 Name: Mary. N. Mwangi

Sign:.....

ICPAK M/NO: 6346

Chairman of the Board
 Name: Prof. Bernard Njoroge

Sign:.....

Reports and Financial Statements
For the year ended June 30, 2020

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

	Ordinary share capital	Revaluation reserve	Retained earnings	Total
At July 1, 2018	40	5,889,458	143,030,804	148,920,302
Transfer of excess depreciation on revaluation	-	-	-	-
Total comprehensive income	-	-	33,466,606	33,466,606
At June 30, 2019	40	5,889,458	176,497,410	182,386,908
At July 1, 2019	40	5,889,458	176,497,410	182,386,908
Total comprehensive income	-	-	26,443,750	26,443,750
At June 30, 2020	40	5,889,458	202,941,160	208,830,658

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16. STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2020

	Note	2019/2020 Kshs	2018/2019 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	24(a)	46,344,983	28,420,248
Interest received	10	1,186,930	5,258,356
Taxation paid	24	-	(16,209,484)
Net cash generated from operating activities		47,531,913	17,469,120
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12	(16,396,129)	(84,335,275)
Purchase of intangible asset	13	(3,797,524)	-
Net cash (used in) investing activities		(20,193,653)	(84,335,275)
CASHFLOWS FROM FINANCING ACTIVITIES			
Net cash generated from/(used in) financing activities		-	-
INCREASE IN CASH AND CASH EQUIVALENTS		27,338,260	(66,866,155)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	24(b)	128,100,218	194,966,373
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	24(b)	155,438,478	128,100,218

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**17. 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	Performance Difference	Explanation for Variance
	2019/2020	2019/2020	2019/2020	2019/2020	2019/2020	%	
	Kshs	Kshs	Kshs	Kshs	Kshs		
Revenue							
Sale of Water	694,134,000	-63,134,000	631,000,000	578,773,049	-52,226,951	-8.28%	
Grant –Amortized	-	0	-	1,225,729	-1,225,729	100.00%	Grant income not an inflow in 2019/20
Finance Income	6,000,000	-5,200,000	800,000	1,186,930	386,930	48.37%	Fixed deposit place earlier than expected
Other income	30,050,000	-15,900,000	14,150,000	15,883,339	1,733,339	12.25%	More new water connections in the year
Total income	730,184,000	-84,234,000	645,950,000	597,069,047	-48,880,953	-7.57%	
Expenses							
Compensation of employees	187,204,000	-19,904,000	167,300,000	145,224,475	-22,075,525	-13.20%	No major expense on staff welfare in 2019/20
Finance cost	-	0	-	-	0		
Taxation	5,000,000	0	5,000,000	11,333,036	6,333,036	126.66%	Due to increased profit
Administration Costs	81,780,500	-20,560,500	61,220,000	53,594,409	-7,625,591	-12.46%	No travel in quarter 4 of 2019/20 due to Covid-19
Board Cost	5,026,500	-5,026,500	0	0	0	0.00%	No payment was made
Maintenance Cost	153,356,000	18,644,000	172,000,000	169,951,751	-2,048,249	-1.19%	
Regulatory Expenses	38,692,400	6,307,600	45,000,000	44,674,318	-325,682	-0.72%	
Other Operating costs	149,200,000	-24,200,000	125,000,000	127,500,447	2,500,447	2.00%	
Wear and Tear	-	0	0	18,346,861	18,346,861	100.00%	Wear and tear is a provision not an outflow
Total expenditure	620,259,400	-44,739,400	575,520,000	570,625,297	-4,894,703	-0.85%	
Surplus for the period	109,924,600	-39,494,600	70,430,000	26,443,750	-43,986,250		

PFM Act section 81(2) ii and iv requires a National Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available. However, for public sector entities, the PSASB has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.

18. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Ruiru-Juja Water and Sewerage Company Ltd is established by and derives its authority and accountability from Water Act No. 43 of 2016. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide quality and affordable water and sewerage services in Ruiru and Juja Constituencies in the Kiambu County. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared 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 judgement in the process of applying Ruiru-Juja Water and Sewerage Company Ltd accounting policies

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Ruiru-Juja Water and Sewerage Company Ltd.

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

<p>Amendments to IAS 16 and IAS 38 titled <i>Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014)</i></p>	<p>1st Jan 2016</p>	<p>The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.</p>
<p><i>Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)</i></p>	<p>1st Jan 2017</p>	<p>The amendments clarify that:</p> <ul style="list-style-type: none"> • Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. • The carrying amount of an asset does not limit the estimation of probable future taxable profits. • Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. <p>An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.</p>

<p><i>Disclosure Initiative</i> <i>(Amendments to IAS 7:</i> <i>Statement of Cash flows)</i></p>	<p>1st Jan 2017</p>	<p>The amendments' objective is that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.</p>
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iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019/2020.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to Ruiru-Juja Water and Sewerage Company Ltd and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of Ruiru-Juja Water and Sewerage Company Ltd activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of Ruiru-Juja Water and Sewerage Company Ltd activities as described below.

- i) **Revenue from the sale of goods and services** is recognised in the year in which Ruiru-Juja Water and Sewerage Company Ltd delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognised in the year in which Ruiru-Juja Water and Sewerage Company Ltd actually receives such grants.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Other income** is recognised as it accrues.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) In-kind contributions

In-kind contributions are donations that are made to Ruiru-Juja Water and Sewerage Company Ltd in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, Ruiru-Juja Water and Sewerage Company Ltd includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

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

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Buildings and civil works	40 years
Plant and machinery	12.5 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	12.5 years
Intangible Asset (Computer Software)	3 years

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation and impairment of property, plant and equipment (Continued)

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

e) **Intangible assets**

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

f) **Amortisation and impairment of intangible assets**

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

g) **Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handing charges, and is determined on the moving average price method.

h) **Trade and other receivables**

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. 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. Bad debts are written off after all efforts at recovery have been exhausted.

i) **Taxation**

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

k) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, 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 Ruiru-Juja Water and Sewerage Company Ltd or not, less any payments made to the suppliers.

l) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2013. The scheme is administered by Water Sector Pension Scheme and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at 7.5% employee and 15% employer contribution per employee per month.

m) Budget information

The original budget for FY 2019-2020 was approved by the Board of Directors.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

n) Comparative figures

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

o) 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.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Entity's financial statements in conformity with IPSAS 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 could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made: e.g

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 Entity 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 Entity. Such changes are reflected in the assumptions when they occur.

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 Entity
- 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
- Changes in the market in relation to the asset

Provisions

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2019/2020	2018/2019
	Kshs	Kshs
1 SALES		
Sale of Water	578,773,049	593,114,789
	<u>578,773,049</u>	<u>593,114,789</u>
	=====	=====
2 GRANTS FROM NATIONAL GOVERNMENT		
Grant Revenue-Amortised	1,225,729	1,361,921
	<u>1,225,729</u>	<u>1,361,921</u>
	=====	=====
3 OTHER INCOME		
Other miscellaneous receipts	15,883,339	37,812,162
	<u>15,883,339</u>	<u>37,812,162</u>
	=====	=====
4 ADMINISTRATION EXPENSES		
Advertising Expenses	1,197,825	2,300,868
General office Expenses	5,769,434	3,760,675
Stationery & Printing	1,480,175	2,446,565
Education and Training	1,515,966	5,833,622
Provision for Bad debts	8,589,666	3,442,274
Travel & Accommodation	2,406,919	12,274,237
Telephone & Postage	1,779,484	1,538,525
Audit & Professional fee	1,951,188	2,698,414
Bank Charges	746,114	617,956
I.T. Costs	2,201,944	1,603,373
Electricity	825,590	319,675
Security Expenses	1,431,658	1,437,936
Environment Conservation	308,450	728,250
Transport Expenses	14,114,902	15,266,243
Repairs and Maintenance	6,336,160	4,851,826
Insurance	815,776	851,949
Subscriptions	180,700	255,600
Protective clothing	<u>1,942,458</u>	<u>995,840</u>
	<u>53,594,409</u>	<u>61,223,828</u>
	=====	=====

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5	STAFF COSTS	2019/2020	2018/2019
		Kshs	Kshs
	Salaries and allowances of employees	136,846,495	69,919,085
	Staff welfare	8,377,980	9,826,778
		<u>145,224,475</u>	<u>79,745,863</u>
		=====	=====
6	BOARD EXPENSES	-	<u>260,000</u>
		-	<u>260,000</u>
			=====
7	OPERATIONAL EXPENSES		
	Chemicals	19,932,033	7,847,260
	Billings	1,351,400	1,174,000
	Water User Fees	12,168,749	3,077,657
	Electricity	86,287,907	67,159,802
	Security	5,708,462	4,862,674
	Maintenance of Water Systems	78,823,729	274,703,156
	Sewerage	91,128,023	35,043,527
	Water Quality	<u>2,051,896</u>	<u>3,614,702</u>
		<u>297,452,199</u>	<u>397,482,778</u>
		=====	=====
8	REGULATORY EXPENSES		
	Administration Cost to AWSB	16,939,500	16,569,653
	Regulatory Fees to WASREB	<u>27,734,818</u>	<u>16,735,373</u>
		<u>44,674,318</u>	<u>33,305,026</u>
		=====	=====
9	OPERATING PROFIT		
	The operating profit is arrived at after charging/(crediting):		
	Staff costs (note 5)	145,224,475	79,745,863
	Depreciation of property, plant and equipment	17,587,356	17,720,296
	Amortisation of intangible assets	759,505	325,238
	Provision for bad and doubtful debts	8,589,666	3,076,218
	Directors' emoluments - fees	-	260,000
	Auditors' remuneration - current year fees	-	350,000
10	FINANCE INCOME		
	Interest income on bank deposits	1,186,930	5,258,356
		<u>1,186,930</u>	<u>5,258,356</u>
		=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2019/2020	2018/2019
	Kshs	Kshs
11 INCOME TAX EXPENSE/ (CREDIT)		
(a) Current taxation		
Current taxation based on the adjusted profit for the year at 30%	11,333,036	14,342,831
	<u>11,333,036</u>	<u>14,342,831</u>
(b) Reconciliation of tax expense/(credit) to the expected tax based on accounting profit		
Profit before taxation	37,776,786	47,809,437
	<u>37,776,786</u>	<u>47,809,437</u>
Tax at the applicable tax rate of 30%	11,333,036	14,342,831
	<u>11,333,036</u>	<u>14,342,831</u>
	<u>26,443,750</u>	<u>33,466,606</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 PROPERTY, PLANT AND EQUIPMENT

2020	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
COST OR VALUATION								
At July 1, 2019	-	104,643,867	26,420,957	12,470,690	8,271,805	5,283,414	-	157,090,733
Additions	-	2,248,441	9,694,258	995,000	2,705,730	752,700	-	16,396,129
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At June 30, 2020	-	106,892,308	36,115,215	13,465,690	10,977,535	6,036,114	0	173,486,862
DEPRECIATION								
At July 1, 2019	-	35,514,880	6,816,895	4,373,015	7,704,187	2,687,715	-	57,096,692
Charge for the year	-	9,319,419	3,379,729	2,947,975	1,185,719	754,514	-	17,587,356
Impairment loss	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-	-
At June 30, 2020	-	44,834,299	10,196,624	7,320,990	8,889,906	3,442,229	0	74,684,048
NET BOOK VALUE								
At June 30, 2020	-	62,058,009	25,918,591	6,144,700	2,087,629	2,593,885	0	98,802,814

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 PROPERTY, PLANT AND EQUIPMENT

2019	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
COST OR VALUATION								
At July 1, 2018	-	50,487,672	9,594,332	1,673,790	6,845,905	4,153,759	-	72,755,458
Additions	-	54,156,195	16,826,625	10,796,900	1,425,900	1,129,655	-	84,335,275
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At June 30, 2019	-	104,643,867	26,420,957	12,470,690	8,271,805	5,283,414	-	157,090,733
DEPRECIATION								
At July 1, 2018	-	26,420,307	4,174,799	1,673,790	4,949,676	2,157,824	-	39,376,396
Charge for the year	-	9,094,573	2,642,096	2,699,225	2,754,511	529,891	-	17,720,296
Impairment loss	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-	-
At June 30, 2019	-	35,514,880	6,816,895	4,373,015	7,704,187	2,687,715	-	57,096,692
NET BOOK VALUE								
At June 30, 2019	-	69,128,987	19,604,062	8,097,675	567,618	2,595,699	-	99,994,041

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2019/2020	2018/2019
	Kshs	Kshs
13 INTANGIBLE ASSETS		
COST		
At July 1	376,768	376,768
Additions	3,797,523	-
Disposals	-	-
At June 30	<u>4,174,291</u>	<u>376,768</u>
AMORTISATION		
At July 1	376,768	376,768
Charge for the year	759,505	-
Disposals	-	-
Impairment loss	-	-
At June 30	<u>1,136,273</u>	<u>376,768</u>
NET BOOK VALUE		
At June 30	<u>3,038,018</u>	-
14 INVENTORIES		
Pipes & Fittings	8,789,171	8,196,569
Chemicals	1,968,837	5,778,540
Stationery and general stores	196,110	135,223
	<u>10,954,118</u>	<u>14,110,332</u>
15 (a) TRADE AND OTHER RECEIVABLES		
Trade receivables (note 15 (b))	135,360,186	98,927,025
Deposits, prepayments and staff debtors	8,961,640	4,920,034
Gross trade and other receivables	<u>144,321,826</u>	<u>103,847,059</u>
Other: Provision for bad and doubtful receivable	(13,536,019)	(4,946,351)
Net trade and other receivables	<u>130,785,807</u>	<u>98,900,708</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2019/2020 Kshs	2018/2019 Kshs
15 (b) TRADE RECEIVABLES		
Gross trade receivables	135,360,186	98,927,025
Provision for doubtful receivables	(13,536,019)	(4,946,351)
	<u>121,824,167</u>	<u>93,980,674</u>
	=====	=====
As at 30 th June 2020, ageing analysis of gross trade receivables was as follows;		
Less than 30 days	48,536,503	50,291,707
Between 31 to 60 days	42,138,710	47,151,808
Between 61 to 90 days	36,382,966	1,483,510
Between 91 to 120 days	8,302,007	-
Over 120 days	-	-
	<u>135,360,186</u>	<u>98,927,025</u>
	=====	=====
16 SHORT TERM DEPOSITS		
Kenya Commercial Bank	110,077,072	53,795,890
Postbank	-	21,462,466
	<u>110,077,072</u>	<u>75,258,356</u>
	=====	=====
17 BANK AND CASH BALANCES		
Cash at bank	45,324,970	52,801,824
Cash in hand	36,436	40,038
	<u>45,361,406</u>	<u>52,841,862</u>
	=====	=====

The bulk of the cash at bank was held at Kenya Commercial Bank ,Family Bank, Barclays Bank of Kenya and Postbank, Ruiru-Juja Water and Sewerage Company Ltd main bankers..

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2019-2020 KShs	2018-2019 KShs
a) Current account			
Kenya Commercial bank-Revenue		32,955,276	3,357,333
Kenya Commercial bank- Expenditure		1,230,918	10,403,970
Kenya Commercial bank		8,497,179	31,025,158
Barclays Bank-Revenue		217,951	1,137,873
Family Bank-Revenue		1,072,062	2,207,008
Postbank		1,351,584	4,670,482
Sub- total		45,324,970	52,801,824
b) Fixed deposits account			
Kenya Commercial bank		110,077,072	53,795,890
Postbank			21,462,466
Sub- total		110,077,072	75,258,356
c) Others(specify)			
Cash in hand		36,436	40,038
Sub- total		36,436	40,038
Grand total		155,438,478	128,100,218

	2019/2020 Kshs	2018/2019 Kshs
18 ORDINARY SHARE CAPITAL		
Authorised:		
5000 ordinary shares of Kshs.20 par value each	10,000	10,000
	=====	=====
Issued and fully paid:		
2 ordinary shares of Kshs.20 par value each	40	40
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 REVALUATION RESERVE

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

20 RETAINED EARNINGS

The retained earnings represent amounts available for distribution to Ruiru-Juja Water and Sewerage Company Ltd shareholders. Undistributed retained earnings are utilised to finance Ruiru-Juja Water and Sewerage Company Ltd business activities.

	2019/2020	2018/2019
	Kshs	Kshs
21 DEFERRED GRANT REVENUE		
Deferred Grant Revenue	11,031,557	12,257,285
Balance at end of the year	<u>11,031,557</u>	<u>12,257,285</u>

	2019/2020	2018/2019
	Kshs	Kshs
22 TRADE AND OTHER PAYABLES		
Trade payables	58,885,216	42,024,290
Customer Overpayments	-	7,321,089
Customer Refundable Deposits	100,952,264	89,129,221
	<u>159,837,480</u>	<u>138,474,600</u>

23 TAX LIABILITY

The movement on the tax liability account is as follows:

	2019/2020	2018/2019
	Kshs	Kshs
Balance at beginning of the year	7,986,506	9,853,159
Payment	-	(16,209,484)
Credit	-	-
Provision for the year	11,333,033	14,342,831
Balance at end of the year	<u>19,319,539</u>	<u>7,986,506</u>

Ruiru-Juja Water and Sewerage Company Ltd
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2019/2020 Kshs	2018/2019 Kshs
24 NOTES TO THE STATEMENT OF CASH FLOWS		
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Operating profit/(loss)	36,589,855	42,551,081
Depreciation	17,587,356	17,720,296
Amortisation	759,505	-
Grant Revenue	(1,225,729)	(1,361,921)
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	<u>53,710,988</u>	<u>58,909,456</u>
(Increase) in inventories	3,156,214	(6,164,142)
(Increase) in trade and other receivables	(31,885,100)	(70,213,215)
Increase in trade and other payables	21,362,880	45,888,147
Cash generated from/(used in) operations	<u>46,344,983</u> =====	<u>28,420,248</u> =====
(b) Analysis of cash and cash equivalents		
Short term deposits	110,077,072	75,258,356
Cash at bank	45,324,970	52,801,824
Cash in hand	36,436	40,038
Balance at end of the year	<u>155,438,478</u> =====	<u>128,100,218</u> =====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 RELATED PARTY DISCLOSURES

(a) County Government of Kiambu

The County Government of Kiambu is the principal shareholder of Ruiru-Juja Water and Sewerage Company Ltd, holding 100% of Ruiru-Juja Water and Sewerage Company Ltd equity interest. The Government of Kenya through Athi Water Services Board has provided full guarantees to all long-term lenders of the entity, both domestic and external.

	2019/2020	2018/2019
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from AWWDA	11,031,557	12,257,285
Grants from County Government	-	-
Donations in kind	-	-
Total	11,031,557	13,619,206
	=====	=====
b) Key management compensation		
Directors' emoluments	-	260,000
Compensation to the CEO	1,012,464	843,720
Compensation to key management	9,278,440	8,434,945
Total	10,290,904	9,538,665
	=====	=====

26 FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company's financial risk management objectives and policies are detailed below:

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of

allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2020				
Trade Receivables	121,824,167	121,824,167	-	-
Other Receivables	8,961,639	8,961,639	-	-
Cash and Bank balances	155,438,478	155,438,478	-	-
Total	286,224,284	286,224,284	-	-
At 30 June 2019				
Trade Receivables	98,900,708	98,900,708	-	-
Other Receivables	-	-	-	-
Cash and Bank balances	128,100,218	128,100,218	-	-
Total	227,000,926	227,000,926	-	-

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 FINANCIAL RISK MANAGEMENT (Continued)

ii) Liquidity risk management (Continued)

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2020				
Trade Payables	-	58,885,176	-	58,885,176
Tax Liability	-	19,319,539	-	19,319,539
Refundable Customer Deposits			100,952,264	100,952,264
Total	-	78,204,715	100,952,264	179,156,979
At 30 June 2019				
Trade Payables	-	49,345,379	-	49,345,379
Tax Liability	-	7,986,506	-	7,986,506
Refundable Customer Deposits			89,129,221	89,129,221
Total	-	57,331,885	89,129,221	146,461,106

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a) Foreign currency risk

The entity has no transactional currency exposures.

b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

iv) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve	5,889,458	5,889,458
Retained earnings	202,941,161	176,497,411
Capital reserve	-	-
Total funds	208,830,619	182,386,869
Total borrowings	-	-
Less: cash and bank balances	155,438,478	128,100,218
Net debt/(excess cash and cash equivalents)	(155,438,478)	(128,100,218)
Gearing	0%	0%

29 INCOPORATION

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

30 EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non- adjusting events after the reporting period.

31 CURRENCY

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

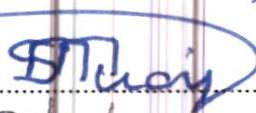
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.1	Presentation and completeness of Financial Statements	The Financial statements have been revised	Mary Karogo-Finance Manager	Resolved	
4.2	Trade Receivables	Customers with overpayments have been reclassified to correct the overstatements	Mary Karogo-Finance Manager	Resolved	
4.3a	Board Expenses	Signed Lists of board allowance have been provided	Mary Karogo-Finance Manager	Resolved	
4.3b	Corporate Governance	Minutes and associated correspondence to be availed by Company Secretary	Josephine Muritu Secretary to the Board Kiambu County Water & Sewerage Co Ltd	Resolved	
4.4	Non-Revenue Water	Management working on reduction of non-revenue water to acceptable level	Mary Mwangi-Technical Manager	Not Resolved	Financial Year 2020/2021
4.5	IT Controls	The Company is in process of developing IT policy	Allan Ngugi-ICT Director, Kiambu County Water & Sewerage Co Ltd	Not Resolved	Year 2020/2021

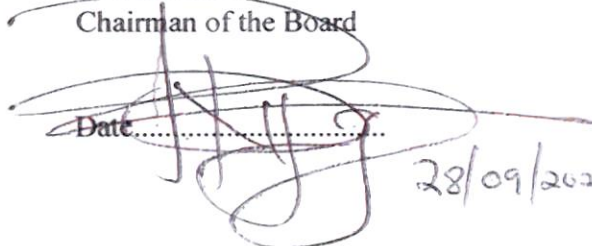
Managing Director

Date.....


28/09/2020

Chairman of the Board

Date.....


28/09/2020

APPENDIX II: PROJECTS IMPLEMENTED BY RUIRU JUJA AND SEWERAGE COMPANY

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Sewer lines in Mataangini area	6,906,171	6,906,171	100%	7,000,000	6,906,171	Internal
2	Sewer lines in Fort Jesus – Gitambaya area	5,093,726	5,093,726	100%	5,500,000	5,093,726	Internal
3	Sewer lines in Nairobi Institute of Business Studies (NIBS) area	5,283,978	5,283,978	100%	5,500,000	5,283,978	Internal

APPENDIX III: INTER-ENTITY TRANSFERS

Ruiru Juja Water and Sewerage Company Ltd

Breakdown of Transfers from Other Water companies in Kiambu County

		Bank Statement Date	Amount	Purpose	FY to which the amount relate
a	Direct Receipts				
	Kiambu Water and Sewerage Co	15-Aug-19	12,000	Bacteriological Analysis	2019-2020
	Kiambu Water and Sewerage Co	28-Aug-19	22,000	Bacteriological Analysis	2019-2020
	Kiambu Water and Sewerage Co	28-Oct-19	27,000	Bacteriological Analysis	2019-2020
	Kiambu Water and Sewerage Co	17-Dec-19	12,000	Bacteriological Analysis	2019-2020
	Kiambu Water and Sewerage Co	27-Jan-20	22,000	Bacteriological Analysis	2019-2020
	Kiambu Water and Sewerage Co	25-Feb-20	12,000	Bacteriological Analysis	2019-2020
	Kiambu Water and Sewerage Co	21-Apr-20	34,000	Bacteriological Analysis	2019-2020
	Kiambu Water and Sewerage Co	27-May-20	6,000	Bacteriological Analysis	2019-2020
	Kiambu Water and Sewerage Co	30-Jun-20	18,000	Bacteriological Analysis	2019-2020
	Total Direct Receipts		165,000		

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development /Others	Total Amount - KES	Deferred Income	Receivables	Others - must be specific	Total Transfers during the Year
Water Service Trust Fund(WSTF)	2016	Development	18,682,039	11,031,557	-	-	1,225,729
Total			18,682,039	11,031,557	-	-	1,225,729