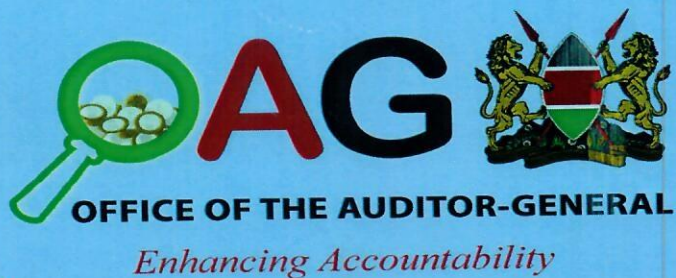


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

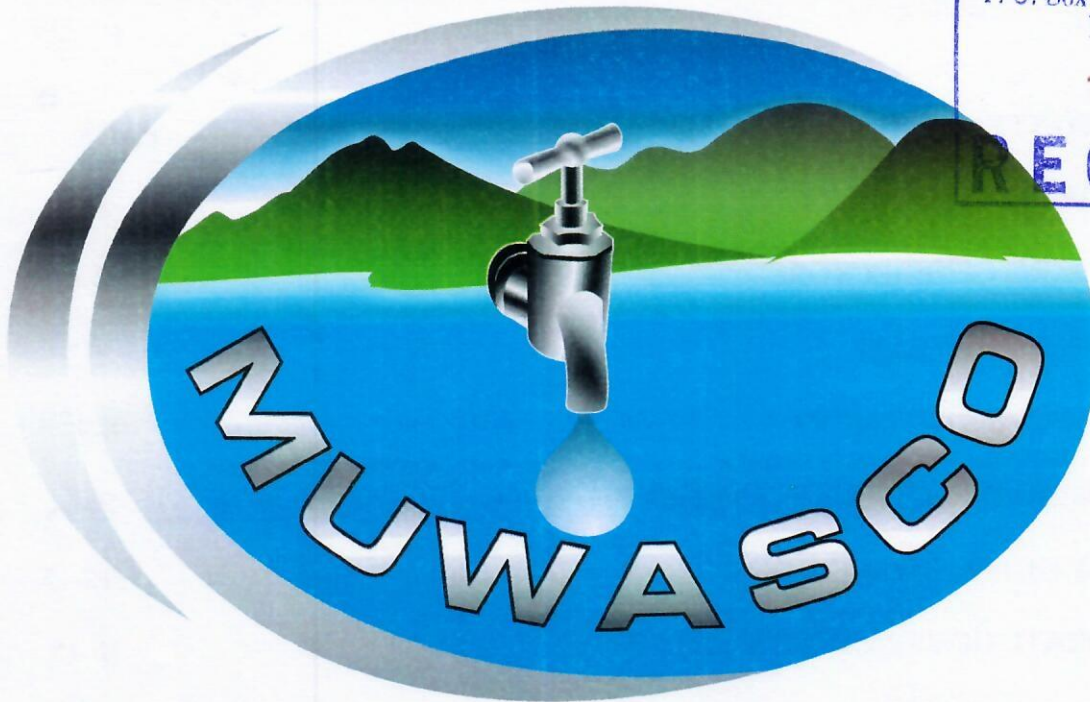
**MURANG'A WATER AND SANITATION
COMPANY LIMITED**

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

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

15 SEP 2021

RECEIVED



MURANG'A WATER & SANITATION CO. LTD.

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

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

MURANG'A WATER AND SANITATION COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

I. CORPORATE INFORMATION

Incorporation

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

Principal Activity

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

Vision:

To become a world class water and sanitation service provider that exceeds customer's expectations now and in future.

Mission:

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

Core values:






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

THE BOARD OF DIRECTORS

<u>NAME</u>	<u>DESIGNATION</u>
Dr. P. K. Munga	Chairman
Eng. D. Ng'ang'a	Managing Director
H. M. Mwithiga	Member
J. K. Mwirigi	Member-Left the board in December 2019
S. Karina	Member
M. Gichomo	Member
P. Kiguta	Member
E. Gathima	Member
B. Wanjeri	Member
P. Macharia	Member
J. Kamwaga	Member-Joined the board in October 2019
A. Mutiria	Member- Joined the board in October 2019

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

II. THE BOARD OF DIRECTORS

 <p>DR. P.K. MUNGA</p>	<p>He is an industrialist and a business man with interests in banking, manufacturing, insurance among others. He has vast experience in both public and private sector and has been contributing immensely to the community in scholarships and other social wellbeing. He is a former chairman of Equity bank and a member of boards of various blue-chip companies. He is the proprietor of Equatorial Industrial Park and Pioneer group of schools among others.</p> <p>He is a qualified Certified Public Secretary (CPSK) and holds many other certificates in management and corporate governance. He is chairman to the board.</p>
 <p>ENG. D. NG'ANG'A</p>	<p>He is the current Managing Director of Murang'a Water & Sanitation Company since the company's inception in 2007. He has huge experience in the water sector and also has worked in the private sector. He is a registered engineer, has a BSC civil engineering degree, Executive Masters degree in Business Administration and a diploma in Community Development. He has attended numerous managerial and administration courses both locally and abroad.</p>
 <p>H.M. MWITHIGA</p>	<p>He has vast experience in both the public and private sector having worked for many years with BAT rising to the post of Area Marketing Manager. He founded and is the current proprietor of Murang'a Tobacco Distributors. He has served in many schools management boards as well as ACK church council committees in various capacities.</p> <p>He holds various post high school certificates in sales, management and corporate governance. He is the chairman audit and risk management committee of the board.</p>
 <p>J.K. MWIRIGI</p>	<p>He is an experienced finance manager who has served in the public sector for more than 10 years and is currently the Murang'a Town Manager for the last four years. He served with the now defunct County Council of Murang'a in the capacity of Marketing superintendent and later as Senior Accountant.</p> <p>He holds a Bcom in Finance. He is also a qualified accountant (CPAK) and also a qualified public secretary (CPSK) and has studied various management and administration courses. He left the Board on December 2019.</p>
 <p>S. KARINA</p>	<p>She has vast experience in community development and the founder and current director of an NGO called Friends For The Abused People International (FOTAPI). She has also worked in various capacities with: NACADA, ECK, Uwezo Kenya, Joyful Women, Probation office and been a member of school boards.</p> <p>She holds a bachelors degree in social work and administration and has numerous certificates in community development related courses from various institutions. She is a member of finance and administration committee of the board.</p>

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**



J. KAMWAGA

She represents women organizations. She holds certificates in Community rehabilitation, Population management and integrated family life. She has vast experience in Project profile preparation, entrepreneurship and strategic planning. She has experience in civic education and has participated in constitution review process as a district delegate in Bomas of Kenya. She has also worked with various Government agencies, NGOs and private institutions as a consultant and trainer on community empowerment programs. She has also served as a chairperson in various positions including National Council of women of Kenya Kiharu branch, National Council of women of Kenya Murang'a County Chapter, Murang'a county peace Committee and Family Health Options Kenya. She is a member of National Council of Women of Kenya (NCWK) and a member of Finance and administration committee of MUWASCO Board.



A. MUTIRIA

He is a holder of B.Ed (Arts) from Kenyatta university and currently pursuing his Masters in Linguistics in the same institution. He also hold senior management certificate from Kenya School of Government with vast experience in management of both private and public institutions. He has served in Thika Technical Training Institute (TTTI) as chief Technical and Vocational Trainer and also in Gitugi Girls High School as dean of studies. He commands business acumen and has experience with Royal Media Services Limited as a regional sales representative. He is a member of Public Relations Society of Kenya and a member of Audit and risk management committee of MUWASCO board.

IV. CHAIRMAN'S STATEMENT

It is my pleasure to release our annual report and financial statements for the year ended 30th June 2020. During the year, the company continued to make improvement in key performance areas which ensures stakeholders' value and guarantees the residents of Murang'a have access to safe and reliable water services.

Operating Environment

The breakout of the Covid-19 pandemic during the third quarter of the financial year affected all sectors of the economy and the company's business was severely hit by this disaster. Most of the major consumers of our services downscaled their businesses while others closed their operations altogether thereby causing a major drop in our revenues.

Despite this difficult operating environment, the company has remained afloat and we have continued to position ourselves to meet the expectations of our customers.

As an institution, we continue to listen to views of all our stakeholders and endeavor to develop, run and work in an environmentally sustainable and socially responsible manner. This includes a continued focus on operational efficiency, resources conservation efforts and responding to the expectations of our stakeholders.

Expansion Programmes

Amid the many challenges we have continued to focus on ensuring that we deliver services to our customers and provide them with reliable and sufficient water to improve their hygiene more so during this covid-19 period.

In this regard we implemented programmes to both expand our network to reach the un-served residents as well as partnering with the county government of Murang'a to set up public water points all over our area of jurisdiction for the public to wash their hands and protect themselves from contracting covid-19.

In addition, during the year, our continued relationship with our development partners ensured that we constructed a storage tank at Embassy and procured a double cabin pickup and four motorbikes.

We also expanded our water networks and connected more than 1,000 new households with our services.

Financial performance

I am elated to report another year of continued progress for MUWASCO in which our financial performance showed improved growth. Revenues from operating activities in the year rose to **ksh 195.7 million** from **ksh.182.7million** reported in the year 2019.

The increased sales and prudent management of the available resources enabled us to continue investing in fixed assets to continue with our investment plan.

Future Plans

Looking ahead, the board will continue to support investment in new projects to ensure the continued growth of the company and progress towards achieving the company's main objective, that of delivering greater value to its customers for socio-economic development.

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

V. MANAGING DIRECTOR'S STATEMENT

General Overview

I am delighted to report yet another annual performance of the company for the period ended 30th June 2020. The company's performance has remained stable despite the unpredicted challenges experienced during the last quarter of the financial year as a result of the global Covid 19 pandemic. Our challenges of high Non Revenue Water has continued to pose a challenge in our operations due to the aged infrastructure which requires huge investment for renewal. We are seeking partners to fund the renewal of the old infrastructure in order to reduce the Non revenue water to acceptable levels. In our proposal we expect to renew infrastructure in Murang'a CBD and Mukuyu. The demand for water in our area of jurisdiction has increased and we are also seeking various ways to increase our daily production capacity to meet the current water demand.

The impact report issue no 12 of 2020 released by WASREB ranked us number two (2) in our category and number five(5) overall for the year 2018/2019. The rank was based out of 83 companies countywide. This is an indicator of the potential we have even to perform better. Our customers have continued to enjoy quality services and this is evident from feedback we are receiving from them and we target to improve on this even higher.

During the financial year Murang'a water and sanitation company ltd in collaboration with WASPA and other water utilities engaged in environmental conservation awareness exercise. The events took place in various water companies countywide where members of the community converged to learn on how to avert the changing climatic conditions through planting of indigenous trees and also planting trees which can be used as a source of food.

We have developed our strategic plan for the company to steer our growth for the next five years i.e 2020 to 2025.

Company performance

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

No.	ITEM	2017 /2018	2018 /2019	2019 /2020
1	Total Billings (Kshs in Millions)	188.7	182.7	195.7
2	Operating Exp (Kshs in Millions)	191.1	186.5	196.7
3	Capital Exp (Kshs in Millions)	57	15	12.5
4	Number of active water Connections	12,308	13,060	14,073
5	Number of active sewerage Connections	4,997	5,089	5,424

The performance of the company has continued to improve. During the financial year 2019-2020, we were able to increase the active water connections by 1,013 connections.

With internally generated funds and the support of partners such as TWWDA, AWWDA, and Water for life the following projects were completed during the year:-

1. Through internally generated funds rehabilitation of water pipelines to various areas at a cost of Ksh 10.6 millions.
2. Through internally generated funds extension of sewer networks in St Mary and Station road areas Ksh.0.5 millions.

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

VI. REVIEW OF PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2020

Muranga water and Sanitation Company has strategic pillars and objectives within its strategic plan for the financial year 2015/2016 - 2019/2020. These annual reports and financial statements for the financial year 2019/2020 are prepared in the last year of the strategic plan. These strategic pillars are as follows:

1. Accessibility to adequate water and sanitation services
2. Financial resources
3. Human resource capacity
4. Corporate image

Muranga water and sanitation company develops its annual work plans based on the above 4 pillars. Assessment of the Boards performance against its annual work plan is done on a quarterly basis. The company achieved its performance targets set for the financial year 2019/2020 period for its strategic pillars, as indicated in the diagram below.

PILLAR 1 Accessibility to adequate water and sanitation services	To provide 80% of population access to water services and 60% of population to sewerage services	Strategic plan target	Extent of implementation	Remarks
Strategy 1	Expand water and sewerage network			
	Activities			
	Expand water reservoir system---4 additional tanks	4	4 100%	2No. new tanks constructed+ 2No. rehabilitated
	Increase water connection to 15000 active connections	15000	12,500 (83%)	There is need for expansion of area of jurisdiction
	Increase sewerage connections to cover 60% of area of population	6000	5,000 (83%)	Gap 1,500 – projects by county government not done
	Construct additional water kiosks—target 4 new ones	4	4 (100%)	Mbombo, Gacharu and Kabuta(2)
	Construct additional ablution blocks- target 2 new ones	2	1 50%	1No. at Kangema road junction not done
	Remove spaghetti connections and install larger pipes to serve more customers	100%	40%	-Kiharu DMA Sourcing for funds for more rehab
	Embrace new technology in block mapping of sewerage system	100%	80%	Remaining sewer mapping almost complete
Strategy 2	Enhance service delivery			
	Provide necessary tools and equipment	100%	80%	Continuous
	Adopt quality management system based	100%	80%	Applied for ISO certification

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

	Write funding proposal to potential donors, government and development partners- at least 2 proposal every year	10	6 done (60%)	Proposal for Kabuta,NRW,St Marys,Mugoiri wateri,Kayahwe & Kariciungu
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PILLAR 3: Human resource capacity	To attract, recruit, retain and develop human resources for quality service delivery	Strategic plan target	Extent of implementation	Remarks
Strategy 1:	Improve employee motivation and morale			
	Activities			
	Undertake training needs assessment and implement results	100%	30%	Current TNA not conducted due to lack of funds
	Undertake employee satisfaction survey every 2 years	2	80%	Survey done 2017
	Staff team building workshop annually	5	2 (40%)	Only 2 conducted due to lack of funds
	Give permanent and pensionable terms to long serving casual staff	90%	70%	Planned engagement done in previous years but current ones are pending due to lack of funds
	Review and implement HR policy every 3 years	2 reviews	1 50%	One review done in 2015
	Develop and implement effective performance management appraisal system	100%	85%	Quarterly and annual performance appraisal done

xvii. CORPORATE GOVERNANCE STATEMENT

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

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

Board of Directors

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

Board meetings

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

TYPE OF MEETING	NO
Special Board Meeting & AGM	1
Full Board Meeting	4
Finance and Admin Committee Meeting	3
Audit Committee Meeting	3
Total	11

Board committees

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

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

Audit and risk management committee

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

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

CORPORATE GOVERNANCE STATEMENT (Continued)

Process of appointment and removal of directors

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

Induction and training

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

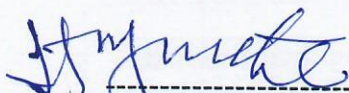
Ethics and conduct of directors

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

Going concern

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

SIGNED:



CHAIRMAN



MANAGING DIRECTOR

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

PROPOSED PROJECTS

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

SECTION D

Major risks facing the entity

Operation risks

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

Market Risks

The company has an outstanding loan from Sidian Bank. The principal outstanding amount is Ksh 3,657,201 as at 30th June 2020 with an interest rate of 14% per annum.

Credit Risks

The company supplies water on credit and gives the consumers a period of 14 days to clear their bills. Not all consumers are able to clear their bills within the credit period given and this give rise to credit risk. At the end of the year, the trade debtors amounted to Ksh 70,324,023 and the highest percentage was owed by the Government institutions and the default risk is assessed as low. The company provides allowance for credit risk against the outstanding specific water and sewerage debts and a general provision of 10% of the net balance.

Liquidity Risk

The company has various obligation and liabilities as outlined in note 17,19 and 20 of the accounts. The company manages liquidity risks by maintaining banking facilities through continuous monitoring of forecast and actual cash flow.

IX. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

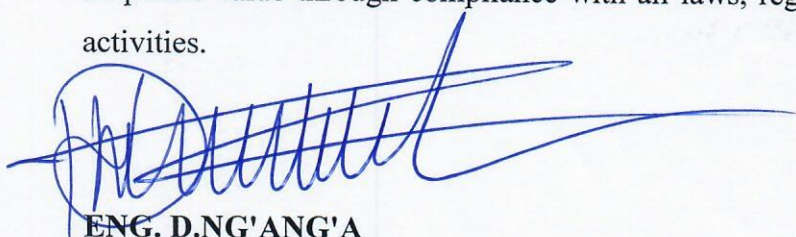
As an integral part of the National Government, Murang'a Water and Sanitation Company Ltd is inherently mandated to be socially responsible, to act and operate as a good corporate citizen. The Governing Board recognize and perform the obligations Muwasco has towards the National Government, the County Government of Murang'a- its majority stakeholder, as well as other stakeholders, and the community in which we operate. Directors , managers and all our employees are required to abide by the ethical policies as mandated by the Constitution of Kenya ,the Water Services Regulatory Board's regulations on governance and the ethical codes as enshrined in the human resource manual. The protection of the reputation and our corporate visibility is of paramount importance to all our staff, aware of the disciplinary implications of breaches of policy. We continue protecting our consumer rights on information privacy and protection , gender ,disability and equitable access to clean and safe water to drink.

Over years , our environmental conservation programs have remained core towards achieving 10% forest cover as earlier directed by president Uhuru Kenyatta. Indeed , we partnered with the Tana Water Works Development Agency and the Water Companies Sports and Cultural Organization in planting over 50,000 indigenous trees at Nyeri and Njuki-ini forest in Embu respectively.

Our pro-poor connection policy has continued changing lives and livelihoods. This year ,we have connected over 1000 needy connections through our rural poor program (RPP). Indeed we joined a 1100Kms Charity Cycle organized by a Dutch Water Ambassador Liek Nijik who had embarked on charity cycle across the country inorder to fundraise for pro-poor water connections.

Last financial year, we offered full sponsorship of high school education to three needy students within our area of supply who had excelled academically. The students who benefitted from full payment of their fees had attained over 370 marks. We continue monitoring their performance in order to enhance their resolute vision towards their academic and intellectual excellence.

We endeavor continuing to strengthen our corporate governance structure with the aim of enhancing management, transparency and monitoring. Furthermore, we will strive to increase our corporate value through compliance with all laws, regulations and rules governing our corporate activities.



ENG. D.NG'ANG'A

MANAGING DIRECTOR

XI. STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

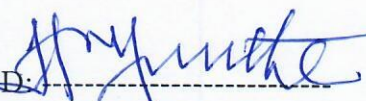
Section 81 of the Public Finance Management Act, 2012 and section 147 of the Companies Act Cap 486 requires the Board of Directors to prepare financial statements for each year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the results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

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on 30th June 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 the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


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

Approval of the financial statements

The company's financial statements were approved by the Board on 29th September 2020 and signed on its behalf by:

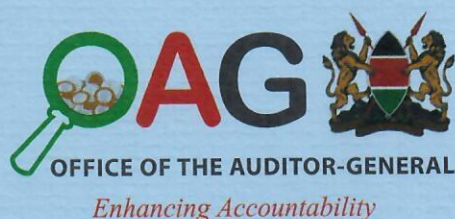
SIGNED: 
for **DR. P.K MUNGA**
CHAIRMAN


P. KIGUTA
DIRECTOR


ENG. D.NG'ANG'A
MANAGING DIRECTOR

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MURANG'A WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Murang'a Water and Sanitation Company Limited set out on pages 27 to 50, which comprise the statement of financial position as at 30 June, 2020, and the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Long Outstanding Receivables

Note 11 to the financial statements reflects receivables totalling Kshs.109,188,776, which includes an amount of Kshs.52,000,000 in respect of debts which have been outstanding for a considerable long period of time. Although the recoverability of these debts is uncertain, the provision for bad and doubtful debts of Kshs.8,845,836 made in the financial statements appears inadequate.

Consequently, the accuracy and recoverability of receivables balance of Kshs.109,188,776 as at 30 June, 2020 could not be confirmed.

2. Unconfirmed Payables

The statement of financial position reflects trade and other payables balance of Kshs.120,623,621, which includes an amount of Kshs.24,619,778 relating to customers' deposits. However, as previously reported, the customers' deposit account at Equity

have been resolved, the matters remained unresolved as the County Assembly has yet to deliberate on the audit report for 2018/2019.

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. Advance Payment for Promotional Handbook

Note 6 to the financial statements reflects administrative expenses of Kshs.42,526,743, which includes advertising expenses of Kshs.2,372,753, out of which Kshs.684,000 was paid to a firm contracted by Murang'a County Government to market the county through promotional handbook. However, the expenses were not supported with a copy of the handbook prepared by the firm. Further, the payment was made in advance on 3 March, 2020 before the service was rendered and before the date of the invoice. It was not clear why the Murang'a Water and Sanitation Company Management paid the firm in advance long before the firm issued an invoice.

Consequently, the validity and propriety of the expenditure could not be confirmed.

2. Outstanding Lease Fees Owed to Tana Water Services Board

Trade and other payables balance of Kshs.120,623,621 disclosed in Note 19 to the financial statements includes lease fee amounting to Kshs.57,538,816 owed to Tana Water Services Board (2018/2019- Kshs.55,228,263), which had not been remitted as at 30 June, 2020. No satisfactory explanation was provided for non-settlement of the long outstanding liability.

3. Non-Compliance with Ethnic Diversity

During the year under review, Murang'a Water and Sanitation Company had a total of one hundred and twenty-one (121) employees out of which one hundred and sixteen or 96% 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.

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

The statement of comprehensive income reflects administration expenses of Kshs.196,672,978 and as disclosed in Note 5 to the financial statements which includes personnel costs of Kshs.100,227,388, representing 51% of the annual expenditure. The

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; and
- (iii) The Company's statement of financial position and statement of comprehensive income are in agreement with books of account.

Responsibilities of Management and the Board of Directors

The Managements are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for maintaining effective internal control as the Managements 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, the Managements are 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 Managements are aware of the intention to liquidate the Company or to cease operations.

The Managements are 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, the Managements are also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Managements.
- Conclude on the appropriateness of the Managements' 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 the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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


 CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 February, 2022

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

XIII. STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2020

INCOME	NOTES	2019/2020 (Kshs)	2018/2019 (Kshs)
Revenue Grants	1	12,236,565	12,675,878
Billings	2	195,691,168	182,692,262
Other incomes	3	5,768,933	3,340,471
Contingent liability reversed	4	-	3,436,756
		213,696,666	202,145,367
EXPENDITURE			
Personal emoluments	5	100,227,388	92,964,790
Administration expenses	6	42,526,743	34,164,911
Production and maintenance expenses	7	26,691,559	30,086,633
General office expenses	8	6,004,447	5,088,340
Depreciation and amortization	9 and 10	20,488,074	22,216,611
Finance cost	17	734,767	1,252,817
		196,672,978	185,774,102
SUPLUS FROM OPERATING ACTIVITIES		17,023,688	16,371,265
TAX		-	-
TOTAL SUPLUS		17,023,688	16,371,265

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

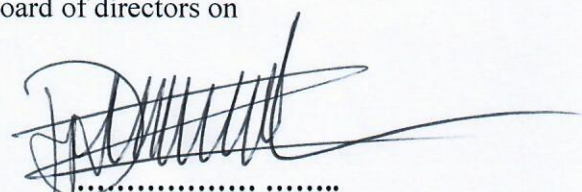
XIV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020

ASSETS	NOTES	2019/2020	2018/2019
		Kshs	Kshs
Non Current Assets			
Property, plant and Equipment	9	241,749,363	249,853,330
Intangible assets	10	143,360	179,200
Total Non-Current Asset		241,892,723	250,032,530
Current Assets			
Receivables	11	109,188,776	87,485,356
Cash and cash equivalent	12A	1,358,670	728,117
Inventory	13	10,553,287	7,356,099
Investment in subsidiary	14	20,488,369	20,488,369
Total Current Assets		141,589,102	116,057,941
TOTAL ASSETS		383,481,825	366,090,471
EQUITY AND LIABILITIES			
Capital And Reserves			
Capital Reserves	15	33,275,181	33,275,181
Revenue Reserves	16	120,514,438	103,490,750
Total Capital and reserves		153,789,619	136,765,931
Non-Current Liabilities			
Loan principal payable	17	-	2,959,729
Deferred income	18	95,707,947	102,797,387
Total Non-Current Liabilities		95,707,947	105,757,116
Current Liabilities			
Trade and other payables	19	120,623,621	107,107,046
Loan principal payable	17	3,657,201	3,947,882
Interest on loan	17	56,123	-
Tax payable	20	2,510,040	2,510,040
Deferred income	18	7,089,440	8,846,165
Overdraft	12B	47,833	1,156,291
Total Current Liabilities		133,984,258	123,567,424
TOTAL EQUITY AND LIABILITIES		383,481,825	366,090,471

The financial statements on pages 27-50 were approved by the board of directors on 29/09/2020 and were signed on its behalf by:


 DR.P.K MUNGA
 CHAIRMAN


 P. KIGUTA
 DIRECTOR


 ENG. D. NG'ANG'A
 MANAGING DIRECTOR

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

XVI. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2020

		2019/2020	2018/2019
		(Kshs)	(Kshs)
Cash Flows from operating activities	Notes		
Surplus generated from operating activities	16	17,023,688	16,371,265
Adjustment for: Non cash items			
Depreciation and amortisation	9,10	20,488,074	22,216,611
Provision for bad debts	6	2,167,184	1,114,408
Amortisation on capital grants	1,18	(8,846,165)	(9,996,300)
Adjusted Surplus From operating Activities			
Before Working Capital changes		30,832,781	29,705,984
Changes in working capital			
(Increase)/(Decrease) in inventory	13	(3,197,188)	(103,154)
(Increase)/(Decrease) in receivables	11	(23,870,604)	(15,960,907)
Increase /(Decrease) in short term liabilities	17,19,20	12,173,559	735,874
(Increase)/(Decrease) in long term liabilities	17	(2,959,729)	(3,947,882)
Net cash flows From Operating Activities		12,978,819	10,429,915
Cash flows from Investing Activities			
Purchase of P.P.E and Intangible asset	9,10	(12,511,042)	(14,988,062)
Disposal of motor vehicle		162,774	
Net Cash flows from investing activities		(12,348,268)	(14,988,062)
Cash flows from Financing Activities			
Deferred income	18	-	2,865,833
Net Cash flows from Financing Activities		-	2,865,833
Net Decrease/increase in cash & cash equivalents		630,553	(1,692,316)
Cash and Cash equivalent at start of year		728,117	2,420,433
Cash and Cash equivalents at end of year	12A	1,358,670	728,117

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

Water abstraction fee-WARMA	486,654	600,000	(113,346)	(19)	less abstraction due to shortage in supply
Catering services	325,947	450,000	(124,053)	(28)	catering services withdrawn in March 2020
Directors expenses	3,519,874	3,400,000	119,874	4	
meetings, conferences & seminars	2,179,381	2,500,000	(320,619)	(13)	no meetings held in last quarter due to covid 19 pandemics
Insurances	1,230,103	1,760,000	(529,897)	(30)	not all budgeted fixed assets were procured.
General office supplies	2,948,467	3,465,000	(516,533)	(15)	Printing of magazines not done.
Contracted guards services	1,253,862	1,248,000	5,862	0	
Membership and subscriptions	297,091	418,000	(120,909)	(29)	Reduced waspa membership fee as id depends on revenues earned
Legal dues/fees	1,034,500	2,500,000	(1,465,500)	(59)	fewer court cases in the period
Licences and permits	3,096,778	2,400,000	696,778	29	Wasreb licence
Maintenance expenses-motor vehicles & cycles	7,713,737	9,432,000	(1,718,263)	(18)	reduced fuel consumption during covid 19 pandemic period
Chemicals & reagents	4,831,458	4,976,050	(144,592)	(3)	
Electricity	1,940,951	2,300,000	(359,049)	(16)	no pumping at kayahwe
Staff uniforms	2,957,120	3,455,000	(497,880)	(14)	financial constraints
Operation and maintenance	19,432,496	18,305,000	1,127,496	6	
WASREB levy	1,910,825	9,694,761	(7,783,936)	(80)	less revenue than budgeted
Bank service commission & charges	178,954	211,000	(32,046)	(15)	use of internet banking
Professional services	1,645,246	1,612,500	32,746	2	
Sundry expenses and donations	297,614	510,000	(212,386)	(42)	CSR activities scheduled for the last quarter not done due to covid 19 pandemic
Total expenditure	169,892,553	174,773,261	(4,880,708)	(3)	
Surplus for the period	30,960,322	91,395,766	(60,435,444)	(66)	

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

- (a) Relevant new standards and amendments to published standards effective for the year ended 30th June 2020

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

- (b) New and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2020.

New and Amendments to standards	Effective for annual period
IFRS 17 Insurance Contract	1 st January 2021

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

- (c) Early adoption

The company did not early adopt any new or amended standards in financial year 2019-2020

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

e. Retirement benefits

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

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

f. Taxation

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

g. Related party transactions

Funds received from the government are disclosed under note 18. The company is headed by the Board of directors and corporate management team. Gratuity expense on corporate management team is based on 31% of the basic salaries. At the end of financial year the related party transactions were as per note 21.

h. Inventory

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

i. Cash and Cash Equivalent

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

j. Trade and other Payables

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

k. Financial risk management

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

l. Allowance for credit risk

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

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

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS(continued)

s. Reporting currency

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

t. Subsequent events

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

u. Budget information

The budget for financial year 2019-2020 was approved by the board of directors on 24th June 2020.Both the financial statements and the budget are prepared on accrual basis. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget is presented in the statement of comparison of budget and actual amounts.

v. Incorporation

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

w. Ultimate and holding entity

The entity is a Semi-Autonomous Government Agency under the Ministry of Water and Sanitation. Its ultimate parent is Murang'a County Government.

The entity has a wholly owned subsidiary, Fort Beverage Industries Limited.

x. Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for credit risk. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

y. Borrowings

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

z. Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 11.

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

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

aa. Shareholding

Murang'a water and sanitation company Ltd was incorporated under Companies Act Cap 486 and it's a company limited by guarantee and hence the company has no share capital.The company has a wholly owned subsidiary, Fort Beverage Industries Ltd (FBIL).Fort beverage Industries Ltd made a loss of Ksh. 8,160,506 for the year ended 30th June 2020.

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

5) PERSONEL EMOLUMENTS

	2019/2020	2018/2019
	Kshs	Ksh
SALARIES	85,600,038	80,834,357
SALARIES (G.O.K GRANT)	3,390,400	2,679,578
LEAVE ALLOWANCES	2,963,841	2,353,097
NSSF COMPANY CONTRIBUTIONS	271,200	265,200
PENSION CONTRIBUTION	3,713,359	2,629,449
STAFF GRATUITY	3,793,370	3,452,424
CASUAL WAGES	495,180	728,185
MILEAGE ALLOWANCES	-	22,500
TOTAL PERSONAL EMOLUMENTS	100,227,388	92,964,790

6) ADMINISTRATION EXPENSES

TRAINING	1,348,853	602,937
ADVERTISING	2,372,753	2,012,790
B.O.D EXPENSES	3,519,874	3,145,682
MOTOR VEHICLE EXPENSES	7,713,737	9,244,421
CONSULTANCY/PROFESSIONAL FEES	1,050,746	684,400
SUNDRY AND DONATION EXPENSES	297,614	254,930
INSURANCES	1,230,103	1,158,421
MEMBERSHIP AND SUBSCRIPTIONS	297,091	406,565
COURIER & POSTAL SERVICES	36,790	40,639
COMMUNICATION AND INTERNET EXPENSES	2,535,503	2,098,058
LICENCES & PERMITS	3,096,778	493,000
CATERING SERVICES	325,947	449,903
CONTRACTED GUARDS SERVICES	1,253,862	1,324,667
WASREB LEVY	1,910,825	1,682,271
BANK SERVICE COMMISSION & CHARGES	178,954	186,208
LEGAL FEES	1,034,500	1,823,400
MEETING COSTS ,CONFERENCES & SEMINARS	2,179,381	2,444,635
TRAVEL COST	489,365	328,280
INCREASE FOR CREDIT RISK	2,167,184	1,114,408
SUBSISTENCE ALLOWANCES	8,892,383	3,956,796
AUDIT FEES	594,500	712,500
TOTAL	42,526,743	34,164,911

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

NOTES TO THE FINANCIAL STATEMENT (continued)

9) PROPERTY PLANT & EQUIPMENTS (KSHs)

<u>COSTS</u>	1)Buildings (Kshs)	2)pipes &fittings (Kshs)	3)EQUIPMENTS (Kshs)	4)motor vehicles & Cycles (Kshs)	5)computers &computer networking (Kshs)	TOTALS (Kshs)
Cost as at 1 st July 2018	37,794,178	88,663,656	238,774,196	7,347,294	6,627,734	379,207,057
Additions during the year	-	8,851,451	5,576,611	-	560,000	14,988,062
Total Cost As At 30th JUNE 2019	37,794,178	97,515,107	244,350,807	7,347,294	7,187,734	394,195,119
Cost as at 1 st July 2019	37,794,178	97,515,107	244,350,807	7,347,294	7,187,734	394,195,119
Additions during the year		8,365,789	2,998,253	-	1,147,000	12,511,042
Disposal of motor vehicle				(4,231,000)		(4,231,000)
Total Cost As At 30th JUNE 2020	37,794,178	105,880,896	247,349,060	3,116,294	8,334,734	402,475,161

DEPRECIATION

As at 1 st July 2018	4,835,930	7,034,472	99,138,542	5,789,450	5,371,585	122,169,979
charge for the year	823,956	2,262,016	18,151,533	389,461	544,845	22,171,811
Accumulated depreciation As at 1st July 2019	5,659,887	9,296,488	117,290,075	6,178,910	5,916,430	144,341,790
Accumulated depreciation on disposed motor vehicle				(4,068,226)		(4,068,226)
Charge for the year	803,357	2,414,610	16,257,373	251,402	725,491	20,452,234
Total Accumulated Depreciation As At 30th June 2020	6,463,244	11,711,098	133,547,448	2,362,087	6,641,921	160,725,798

NET BOOK VALUE:

As at 30 th JUNE 2020	31,330,934	94,169,798	113,801,612	754,207	1,692,813	241,749,363
As at 30 th JUNE 2019	32,134,291	88,218,619	127,060,732	1,168,384	1,271,304	249,853,330

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

-The company's buildings lies on government land but its yet to be transferred by Tana Water Works Development Agency to County Government Of Muranga .

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS(continued)

11) RECEIVABLES	2019/2020	2018/2019
	(Kshs)	(Kshs)
Trade Receivables	70,324,023	56,180,651
Less provision for doubtful debts	(8,845,836)	(6,678,652)
TOTAL TRADE RECEIVABLES	61,478,187	49,501,999
Other receivables	43,826,562	37,016,988
Prepayment and deposits	3,884,027	939,524
Prepaid finance cost	-	26,845
NET BOOK VALUE	109,188,776	87,485,356

12A) CASH & CASH EQUIVALENT

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

Financial institution	Account number		
i. Current accounts			
Equity bank	0220290765689	704,776	-
Family bank	06000015543	26,603	136,280
Cooperative bank	01141573530000	47,714	3,669
Sub- total		779,093	139,949
ii) Deposit account			
Equity bank	0220192975587	132,163	29,467
Sub- total		132,163	29,467
iii) Fixed deposit account			
Equity bank	0220378649400	-	300,000
Sub- total			300,000
Others			
iv) M-PESA	898600	123,385	253,612
v) Cash at hand		324,029	5,089
Sub- total		447,414	258,701
GRAND TOTAL		1,358,670	728,117

12B) CASH AND CASH EQUIVALENT (OVERDRAFT)

Current accounts

Equity bank	0220290765689	-	1,112,431
Sidian bank	01012020003971	47,833	43,860
TOTAL		47,833	1,156,291

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2019/2020	2018/2019
	Ksh.	Ksh.
Loan principal payable b/f	6,907,611	10,337,443
Loan principal paid by Muwasco	(3,250,410)	(3,429,832)
Loan principal payable c/f	3,657,201	6,907,611
Loan principal payable within one yr	3,657,201	3,947,882
Loan principal payable after 1 yr	-	2,959,729
Loan principal payable c/f	3,657,201	6,907,611
<u>18) DEFERRED INCOME</u>		
Brought Forward	111,643,552	118,774,018
Amortization on capital grants	(8,846,165)	(9,996,300)
TWSB-Water meters,ultrasonic flow meter	-	2,194,333
AWSB-water meters,airvalves,sluicevalves	-	671,500
TOTALS	102,797,386	111,643,552
Deferred Income amortizable within one yr	7,089,440	9,638,071
Deferred income amortizable after 1 yr	95,707,947	109,135,947
Total Deferred Income c/f	102,797,387	118,774,018
<u>19) TRADE AND OTHER PAYABLES</u>		
Customers Prepayments	2,033,646	2,011,527
Suppliers creditors	29,164,141	20,665,677
Other creditors	4,692,480	3,975,453
Provision for audit fees	1,531,250	1,187,500
Accrued bills	57,538,816	55,228,263
Customer deposits	24,619,778	21,073,571
Gratuity payable	871,147	844,093
Withholding tax-V.A.T	150,622	147,124
Withholding TAX-Income tax	21,741	-
Legal fees payable	-	1,973,838
TOTALS	120,623,621	107,107,046

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

NOTES TO THE FINANCIAL STATEMENTS (continued)

23) CONTINGENT LIABILITIES

The following is a pending legal claim against the company as at 30th June 2020

PARTIES	CASE/DISPUTE	CLAIM
Unibee Construction Company & Muranga Water & Sanitation Company	Termination of contract	Ksh. 12,000,000

xix. APPENDIX 2: INTER-ENTITY TRANSFERS

ENTITY NAME:		MURANG'A WATER AND SANITATION COMPANY		
	<u>Type of grant</u>	<u>Description of grant</u>	<u>Amount(Ksh)</u>	<u>Fy</u>
1	Transfer from Muranga County Government			
	Revenue grant	Salaries to seconded staffs	3,390,400	FY 2019/2020
2	Funds transfers	Transfer of funds from Muwasco to its subsidiary FBIL	5,175,000	FY 2019/2020

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

	regulations on personnel costs	which will increase our revenue enabling us to operate optimally and comply with the sector set benchmark																		
4.	Long outstanding lease fees owed to Tana Water Services Board	The outstanding fees have accumulated as a result of non implementation of cost recovery tariffs which affected the liquidity of the company. It's worth noting that in the balance of current liabilities the company had accrued bills of Ksh 49.7 Million owed to TWSB who were licensees by then and one of their obligations was to finance and implement capital works as per SPA Clause 5.3(a) and since the company had made capital investment on behalf of TWSB valued at Ksh 56.8 Millions, the management is pursuing the same to be converted to equity capital. The current Water Act 2016, Section 131(1) and (2) provides that all funds collected by WSPs shall be used for the purposes of covering costs for the provision of water services and asset development, No requirement to pay fees for use of asset rather than payment of loans for development of those assets.		Managing director	Not resolved	June 2020														

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

Name of the Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized					Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific		
Vitens Evides	24/07/2019	Development	198,248.45	198,248.45	-	-	-	-	-	198,248.45
Vitens Evides	14/08/2019	Development	1,331,613.20	1,331,613.20	-	-	-	-	-	1,331,613.20
Vitens Evides	16/10/2019	Development	1,082,940.45	1,082,940.45	-	-	-	-	-	1,082,940.45
Vitens Evides	08/01/2020	Development	546,750	546,750	-	-	-	-	-	546,750
Total			3,159,552.10	3,159,552.10	-	-	-	-	-	3,159,552.10.