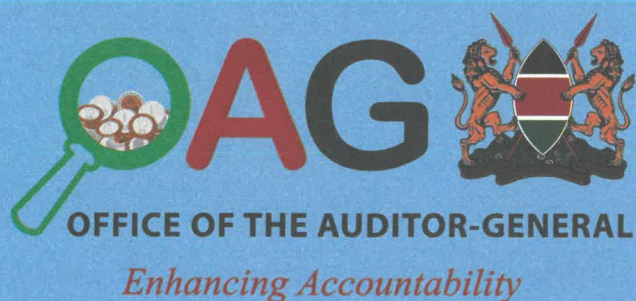


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE, 2023**



MURANG'A WATER & SANITATION COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2023

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

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1.Acronyms and Glossary of Terms

MUWASCO	Murang'a Water And Sanitation Company
FBIL	Fort Beverage Industries Ltd
ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
MD	Managing Director
PFM	Public Financial Management
PSASB	Public Sector Accounting Standards Board
WASREB	Water Services Regulatory Board
TWWDA	Tana Water Works Development Agency
AWWDA	Athi Water Works Development Agency
WSTF	Water sector Trust Fund
AGM	Annual General Meeting
IAS	International Accounting Standards
VAT	Value Added Tax
NRW	Non Revenue Water
T/W	Treatment works
CLSG	Conditional Liquidity Support Grant
OSHE	Occupational Safety,Health and Environment
PPP	Public Private Partnership
PPE	Property,plant and Equipment
RPP	Rural Poor Program
ERP	Enterprise Resource Program
CBA	Collective Bargaining Agreement
FY	Financial year

2.Key Entity Information

Incorporation

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

Principal Activity

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

Vision:

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

Mission:

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

Core values:

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

Directors

Name	Designation	Date Of Appointment
Dr. P. K. Munga	Chairman	Appointed on 18 th October 2019
Eng. D. Ng'ang'a	Managing Director	Appointed on 1 st November 2019
H. M. Mwithiga	Member	Appointed on 18 th October 2019
S. Karina	Member	Appointed on 18 th October 2019
M. Gichomo	Member	Appointed on 18 th October 2019
E. Gathima	Member	Appointed on 18 th October 2019
J. Kamwaga	Member	Appointed on 18 th October 2019
R. Kamina	Member	Appointed March 2022
M. Magochi	Member	Appointed October 2022
Prof. J. Kiarie	Member	Appointed October 2022
B. Gicheha	Member	Appointed October 2022

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Corporate Secretary

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

Registered Office/Corporate Headquarters

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

Corporate Contacts

Telephone-0712292544
E-Mail-managingdirector@muwasco.co.ke
Website-www.muwasco.co.ke

Corporate Bankers

1. Equity Bank Ltd.
P. O. BOX 1060 - 10200,
Murang'a Branch
2. Cooperative Bank Of Kenya
P. O. BOX 954 - 10200,
Murang'a Branch
3. Family Bank
P. O. BOX 1130 - 10200,
Murang'a Branch

Independent Auditors





Auditor General

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


3.The Board Of Directors



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

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 <p>M. Gichomo</p>	<p>She was born in 1985. She was appointed on 18th October 2019. She is a career journalist with experience in journalism and social work. She has also worked as an assistant director at Radio Maria station. She has been involved in various youth development programs and represented the youth in various capacities. She is also a founder member of Murang'a Active Youth Group. She is a diploma holder in Journalism and diverse certificates from various institutions. She is an independent member and a member of Audit and risk management committee of the board.</p>
 <p>E. Gathima</p>	<p>He was born in 1972. He was appointed on 18th October 2019. He has many years of experience in representing the physically challenged persons and pro-poor in various capacities. He has served in the capacities of treasurer, secretary and chairman in various groups of the physically challenged. He has attained certificates in food production, evangelism & discipleship and computer packages. He is an independent member and a member of finance and administration committee of the board. He also represents the interests of pro poor in the board.</p>
 <p>J. Kamwaga</p>	<p>She was born in 1961. She was appointed on 18th October 2019. She represents women organizations. She holds certificates in Community rehabilitation, Population management and integrated family life. She has vast experience in Project profile preparation, entrepreneurship and strategic planning. She has experience in civic education and has participated in constitution review process as a district delegate in Bomas of Kenya. She has also worked with various Government agencies, NGOs and private institutions as a consultant and trainer on community empowerment programs. She has also served as a chairperson in various positions including National Council of women of Kenya Kiharu branch, National Council of women of Kenya Murang'a County Chapter, Murang'a county peace Committee and Family Health Options Kenya. She is a member of National Council of Women of Kenya (NCWK). She is an independent member and a member of Finance and administration committee of MUWASCO Board.</p>
 <p>B. Gicheha</p>	<p>She is the current Murang'a Municipal Manager, Murang'a County Government. She holds bachelor of Education-Arts from Egerton University. She have undertaken quite a number of short term trainings locally in KSG, KIM and internationally in Malaysia and Ethiopia. Currently pursuing Masters of Arts in public policy and administration from Kenyatta University. She has over 13 years of work experience, 5 as a banker with Co-operative bank and 8 as a Subcounty Administrator with Muranga County government.</p>

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 <p>M. Magochi</p>	<p>She is the CECM in charge of Water, irrigation and environment and natural resources ,Muranga County Government . She holds a Bachelor of Science degree in Biosystems Engineering from the University of Nairobi and registered by both EBK and IEK. She has extensive experience in consulting and business development.</p>
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 <p>Prof. J. Kiarie</p>	<p>He is the CEC Finance, IT and Economic Planning Murang'a County Government. Fellow of the Institute Certified Secretaries (ICS), and the immediate former dean of the University of Nairobi's School of Law, where he is a professor of corporate law. He is a certified governance auditor, who has published widely in the area of corporate governance and corporate law and has served on the boards of the Transport Licensing Appeals Board and National Council for Law Reporting. Previously, he has worked as the Vice Chancellor of Riara University. He has served as a consultant on corporate governance for a variety of local and international organizations. He has served as the Chairman of the Murang'a County Initiative (MCI) Steering Committee Towards the realization of goals and development objectives.</p>
 <p>R. Kamina</p>	<p>She was born in 1962. She was appointed to the board on 4th March 2022 and represents women organizations. She holds a Master's degree in Education from Kenyatta University, Diploma in Special Education and Diploma in Strengthening Policy Dialogue among other numerous certificates in various fields. She has vast experience in teaching in Special needs Education and community and women empowerment programs. She is currently a Senior Executive Officer at KNUT Headquarters and has previously held various positions in the Kenya National Union of Teachers (KNUT). She is an independent member and a member of Audit and Risk Management committee of MUWASCO Board.</p>

4.Key Management Team

The Company's senior management team is as follows:

1.	 ENG. D. Nga'ng'a	Bsc Civil Engineering, Emba, Dip. Community Development	Managing Director
2.	 CPA J. Maina	CPA(K), B.Com, Master Of Public Policy And Administation	Commercial Manager
3.	 ENG.P.Karenju	Bsc Civil Engineering	Technical Manager
4.	 CPA. P. Njeru	B.Com CPA(K)	Head Of Internal Audit
5.	 J. Mbuthia	BMC, Diploma In Journalism & Media Studies	Head Of Corporate Affairs
6.	 P. Mwangi	Diploma In Environmental Technology,Certificate In M&E	Head Of Human Resources & Administration
7	 L. Maina	B.Sc. (Hrm) ,Diploma Business Management(Hrm)	Head Of Monitoring And Evaluation

5.Chairman's Statement

I am elated to release our annual report and financial statements for the year ended 30th June 2023. Over the year, the company continued to make improvement in key performance areas which has led to increased stakeholders' value and ensured the residents of Murang'a town and its' environs have access to safe and reliable water services.

Operating Environment

The year started with challenging environment due to the rigorous campaign in the lead-up to the August 2022 General elections which stifled economic growth in the country that affected all sectors of the economy and generally capital investment was lower than expected.

Despite this difficult operating environment, the demand for our services continued to rise since water is key in all socio-economic activities. We have continued to listen to the 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 needs of our customers as well as carrying out Corporate Social Responsibility programs.

Expansion Programmes

Our focal point has been on ensuring that we deliver the highest quality of service to our customers and provide them with reliable and sufficient water and sewerage services.

In this regard we have initiated programmes to both increase the water supply and also expand our infrastructure to reach the un-served residents in our area of jurisdiction.

Our efforts were recognized by the national regulator and the Murang'a county government and our area of jurisdiction has been recommended for expansion to cover the whole of the new Murang'a Municipality in the near future.

In addition, during the year, our continued relationship with our development partners ensured that we procured investment of **ksh. 39million**.

Performance

I am thrilled to report another year of continued progress for our company in which our operational performance showed improved growth. Despite the obvious negative effects of the harsh economic environment, our revenues from operating activities in the year rose to **ksh.275.8million** from **ksh.266.5million** reported in the year 2022.

The increased sales and prudent management of the available resources enabled us to deliver an investment of **ksh.39.5million** in fixed assets from internally generated funds.

Future Plans

Our future success depends on our capability to figure out the future by anticipating and responding to change. The company has embraced new technology and has acquired new meter reading, billing and reporting systems which are part of an elaborate Enterprise Resource Program (ERP).

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 stakeholders for socio-economic development.

With favorable operating environment, the great support that we are enjoying with the current leadership of the County Government of Murang'a, our stakeholders and financial partners, we expect to expand our water supply network to all the residents of Murang'a Municipality.

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

Tribute

Finally, I would wish to extend my earnest gratitude to my fellow Board of Directors, County Government of Murang'a, Both Tana and Athi Water Works Development Agencies, the Ministry of Water, Sanitation and Irrigation and all our customers for their support. I also thank the management and employees of MUWASCO for their dedication and hard work over the financial year.

To all of you I am forever appreciative.



Dr. P. K. Munga

Chairman, Board of Directors

6.Report Of the Managing Director

Foreword

I am thrilled to report the annual performance of the company for the period ended 30th June 2023. Generally the yearly performance has been steady in the face of the skyrocketing of cost of living which has affected the country's economy as a whole. The continued increase in fuel and other inputs prices have affected the company performance in a big way. Our aged infrastructure which requires huge investment for renewal has also contributed to increased operations costs.

The demand for water in our area of jurisdiction and beyond has increased and we are also seeking various ways to increase our daily production capacity to meet the current and future demand for the expanded municipality.

We have continued to perform better than our peers and as per Impact report issue No. 15 of 2023 by Water Services Regulatory Board, we were ranked as number five (5) overall for the year 2021/2022, 2nd best utility in large category and number two (2) in Athi region. The rank was based out of 88 companies countrywide. This is an indicator of the prospective we have to perform even better.

Our customers have continued to enjoy quality services and this is evident from feedback we are receiving from all our stakeholders and we hope to improve further.

Company performance

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

No.	ITEM	2020 /2021	2021 /2022	2022 /2023
1	Total Billings (Kshs in Millions)	210	262.6	275.8
2	Operating Exp (Kshs in Millions)	235	274	270.1
3	Capital Exp (Kshs in Millions)	52	48	40
4	Number of active water Connections	15,065	16,455	17,018
5	Number of active sewerage Connections	5,866	6,320	6,394

The performance of the company has continued to improve and during the financial year 2022-2023, we were able to increase the active water connections by 563 connections.

Projects

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

No.	Project	Source of Fund	Amount
1	Water Extensions	Internal	24 Million
2	Office furniture's, Equipments and Computers	Internal	3 Million
3	Sewerage extensions	Internal	4 Million
4	Water Meters	AWWDA	8 Millions

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Challenges

During the year we were not able to implement our new cost recovery tariff as the same had not been gazetted by WASREB. This coupled with slow economic growth combined with rising input prices led to a deficit in the financial year.

Appreciation

I take this opportunity to express gratitude to our Board of directors for their guidance in policy formulation and strategic directions towards achieving our vision. I also thank the management team and the efforts of the entire staff members of MUWASCO who have executed the strategies to enabling us attain what we have achieved in the year 2022/2023. We are optimistic that we will achieve much more through their commitment and dedication.

Lastly, my gratitude goes to Murang'a County Government, MUWASCO stakeholders, TWWDA, WASREB, AWWDA, WSTF, Ministry of Water, Sanitation & Irrigation, our development partners and other institutions who supported us financially or otherwise.

For all others who have given us support of any kind we thank you. Your support and partnership has enabled us to look into the future with hope and optimism for success.



Eng. D. Ng'ang'a
MANAGING DIRECTOR

7.Statement Of Performance Against Predetermined Objectives for FY 2022/2023

Muranga Water and Sanitation Company has strategic pillars and objectives within its strategic plan for the financial year 2020/2021 to 2024/2025. The strategic pillars to be addressed in the current strategic plan are:

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

Muranga Water and Sanitation Company develops its annual work plans based on the above 6 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The company has achieved its performance targets set for the financial year 2022/2023 period for its strategic pillars, as indicated in the table below.

PILLAR 1 Enhance financial health and institutional sustainability	Strategy	Strategic plan target	Extent of implementation
Strategy 1	Reduce NRW	Reduce to 23 %	24%
Strategy 2	Train staff on NRW	3 trainings per year	No. 3 trainings held in the year (100%)
Strategy 3	Enhance resource mobilization	2 donations per year	1 donations ie from AWWDA
Strategy 4	Adhere to budgetary lines	As stipulated in the annual budgets	82% adhered to
Strategy 5	Enhance resource conservation through ERP	Functional ERP installed	Partially installed (80%)
Strategy 6	Cost optimization	As stipulated in the annual budgets	Some costs optimised
Strategy 7	Prepare, implement and review annual work plan	Reviewed annual work plan in place	Annual work plan developed and reviewed
Strategy 8	Prepare and implement resource mobilization strategies and policies	Strategies and policies in place	Strategies and work plans in progress
Strategy 9	Review service tariffs to sustainable levels	Cost recovery tariffs	Reviewed but not gazetted
Strategy 10	Improve revenues through additional revenue streams	New revenue streams	No additional revenue streams

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

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

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Strategy 10	Standardize HR operations to global standards	Standardize according to global HRM standards	In progress
Strategy 11	Create departmental assistant positions	Reviewed organogram	Done - 90 % done
Strategy12	Undertake teambuilding activities	1 teambuilding per year	Done during the year.

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

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

8. Corporate Governance Statement

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

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

Board of Directors

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

Board meetings

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

TYPE OF MEETING	NO.
Full Board Meeting	3
Finance and Admin Committee Meeting	3
Audit Committee Meeting	3
Annual General Meeting	1
Adhoc	1
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 safeguarded. It ensures that proper policies and internal control procedures are in place and also helps to ensure that the set policies and procedures are adhered to and advices on improvements and introduction of new control procedures.

Corporate Governance Statement(Continued)

Finance and administration committee

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

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

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

Technical committee

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

Directors' Remuneration

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

Attendance of Board meetings

MEETING	P.K MUNGA	H.M MWITHIGA	ESTON GATIMA	SUSAN PERIS KARINA	MONICA W GICHOMO	JANE KAMWAGA	ROSALINE KAMINA	C.E.O TWWDA	CEC WATER	TOWN MANAGER	CEC FINANCE
STUDY TOUR		✓	✓	✓	✓	✓	✓		✓	✓	
FINANCE AND ADMIN COMMITTEE		✓	✓	✓		✓		✓			
AUDIT COMMITTEE		✓			✓		✓	✓			
FULL BOARD	✓	✓	✓	✓	✓	✓	✓	✓		✓	
FINANCE AND ADMIN COMMITTEE		✓	✓	✓		✓					
AUDIT COMMITTEE		✓			✓		✓				
FULL BOARD	✓	✓	✓	✓	✓	✓	✓		✓	✓	
FULL BOARD		✓	✓	✓	✓	✓	✓		✓	✓	
FINANCE AND ADMIN COMMITTEE			✓	✓		✓		✓			
AUDIT COMMITTEE		✓					✓	✓			
FULL BOARD	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
A.G.M	✓	✓	✓	✓	✓	✓	✓	✓		✓	

Corporate Governance Statement (Continued)

Process of appointment and removal of directors

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

Induction and training

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

Ethics and conduct of directors

To show commitment of proper utilization and management of public resources and proper running of corporation's affairs, Murang'a Water and Sanitation Company has developed a code of ethics to be signed by all board members. The 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

9.Management Discussion And Analysis

SECTION A

The entity's operational and financial performance				
No.	ITEM	2021/2022	2022/2023	
1	Total Billings (Kshs in Millions)	262.5	275.8	
2	Operating Exp (Kshs in Millions)	274.2	271.3	
3	Capital Exp (Kshs in Millions)	47.9	39.5	
4	Number of Active Water Connections	16,455	16,944	
5	Number of Active Sewerage connections	6,320	6,394	
6	Non-revenue	24%	24%	

SECTION B

Entity's compliance with statutory requirements
Murang'a water and sanitation company complies with various statutory requirements and the 11 th AGM was held on Friday the 9 th June 2023.

SECTION C

Key projects and investment decisions the entity is planning/implementing
Murang'a Water and Sanitation Company is a company limited by guarantee hence it cannot be able to finance its project through equity. The projects are financed either from internally generated funds, Grants from County Government, Water Works Development Agencies, Constituency Development Funds, Development partners and commercial financing through performance/result based financing. The Company has a role to play if it's going to achieve Sustainable Development goals agreed by the world leaders in year 2015 for a more prosperous, equitable, and sustainable world. Specifically the company strives to meet goal number five of clean water and sanitation.

Management Discussion And Analysis (Continued)

PROPOSED PROJECTS

No	Project	Financed by	Sustainability	Approximated cost
1	St Mary's sewer extension project	Murang'a County Government	-The project will increase sewer connections hence increased revenues.	81,000,000
2	Mashambani sewer extension project	Murang'a County Government	-The project will increase sewer connections hence increased revenues.	101,000,000
3	Kiawambeu augumentation water project	Aid on delivery applied	The project will increase the production capacity per day hence more supply to the increasing population and demand.	149,575,248
4	Kayahwe-Maragua Ridge water project	AWWDA proposal	The project will increase supply to unserved areas.	194,882,732
5	Mukungae-Kiharu water project	Aid on delivery applied	The project will increase supply to unserved areas.	150,000,000
6	Murang'a CBD Mukuyu and Mumbi overhaul	AWWDA proposal	The project will increase supply to unserved areas.	250,250,129
7	Lower Murang'a extensions	Aid on delivery applied	The project will increase supply to unserved areas.	167,835,125
8	New Murang'a Municipality B/Water	Development partner	The project will increase supply to unserved areas.	2,069,634,659
9	New Murang'a Municipality sewerage	Development partner	The project will increase sewer connections hence increased revenues.	1,667,652,183

SECTION D

MAJOR RISKS FACING THE ENTITY

Operation risks

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

Market Risks

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

Credit Risks

The company supplies water on credit and gives the consumers a period of 14 days to clear their bills. Not all consumers are able to clear their bills within the credit period given and this give rise to credit risk. At the end of the year, the trade debtors amounted to Ksh 96,249,038 and the highest percentage was owed by the Government institutions and the default risk is assessed as low. The company provides a general provision of 10% allowance for credit risk against the outstanding debts.

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Annual Report and Financial Statements for the year ended June 30, 2023

Liquidity Risk

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

SECTION E

Material arrears in statutory/financial obligations

The company has accumulated administrative fees owed to Tana Water Works Development Agency Amounting to Kshs 49,458,717. Other trade creditors amounted to Ksh. 109,353,356

SECTION F

The entity's financial probity and serious governance issues

The Company has no any financial improbity and it observes the guidelines issued by Water Services Regulatory Board on corporate governance and has complied with the guidelines with no any case of conflict of interest among the Board or Member of the Board and top management.

10.Environmental And Sustainability Reporting

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

i) Sustainability strategy and profile -

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

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

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

ii) Environmental performance

Over the years, our environmental conservation programs have remained core towards achieving 10% forest cover as earlier directed by President William Ruto. Indeed, we partnered with the Ministry of Water and Sanitation, Tana Water Works Development Agency, Athi Water Works Development Agency and the Water Companies Sports and Cultural Organization in planting over 500,000 indigenous and fruit trees at Ndaka-ini Dam, Sasumua Dam, Nyeri and Njuki-ini forest in Embu respectively. We are currently nurturing a fruit and indigenous trees nursery bed with a capacity of about 1 Million seedlings at our Karii Sewerage treatment plant.

iii) Employee welfare

The company has human resource policy and manual, which guides hiring, processes. The company also has a collective bargaining agreement which has welfare terms.

To improve skills, the company sets a budget for training in every year and pays the training fees for the trainings that arise. The departmental heads and section heads appraise the staffs quarterly and the appraisals are used to reward the staffs.

iv) Market place practices-

a) Responsible competition practice.

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

b) Responsible Supply chain and supplier relations

Murang'a Water And Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

Development of a strong relationship with suppliers helps in ensuring that suppliers of essential supplies and contracts are fair and business conducted together are mutually beneficial. We have supplier strategy, supply chain policy and code of conduct that set out the standards we expect from suppliers business ethics, human rights and environmental management. The company at all times obtains value for money spent on procurement by ensuring that only those items needed are bought; that these items are of good quality and that they are stored appropriately to preserve their quality.

c) Responsible marketing and advertisement

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

d) Product stewardship

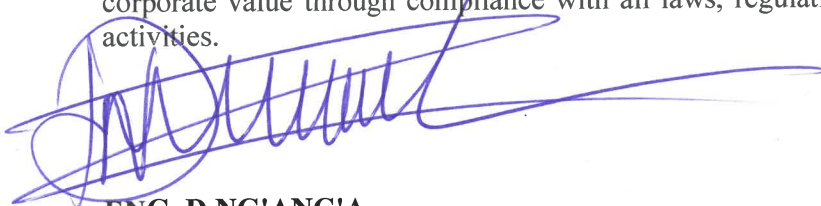
We have continually updated our consumer rights and interests by getting and analysing consumer feedback received through various forums and channels of engagement. As a best practice, we are required to carry out a customer satisfaction survey annually in order to assess our performance and identify gaps and interests. We are privy to laws on water rights, the Bill of Rights, the Consumer Protection Act and other laws guiding consumer protection and engagement.

Corporate Social Responsibility / Community Engagements

Our pro-poor connection policy has continued changing lives and livelihoods. This year, we have connected over 400 needy connections through our rural poor program (RPP). Indeed we joined a 25 Kilometres Charity walk organized by the Anglican Churches of Kenya Mt Kenya Central Diocese led by Rt Rev Timothy Gichere Bishop of Mt Kenya Central.

In the current financial year, we have offered full sponsorship of high school education to six needy students in our supply area who had excelled academically. These students are schooling at Kirogo Boys High school, Mumbi girls high school, Njiriis High school and Chinga boys high school. 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 endeavour to continue 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

11.Report Of the Directors

The Board of Directors has the pleasure in submitting their annual Report and Financial Statements for the period ended 30th June 2023.

Principal activity

The company's main activity is the provision of wholesome clean water and sanitation services to the residents of Murang'a town and its environs.

Results

The results of activities for the year show a loss of **Kshs 7,599,100** as set out on page one of the accounts.

Dividends

The directors do not recommend the payment of a dividend. This is in line with section 131(3) of Water Act 2016

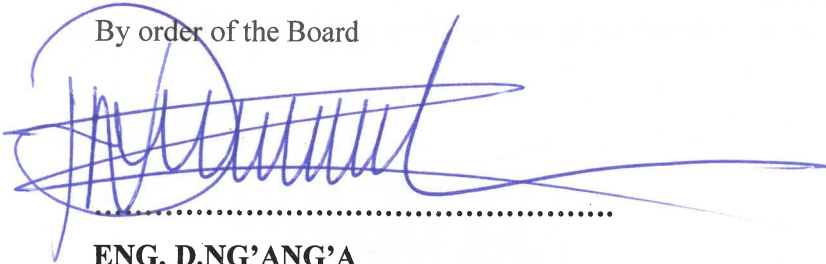
Directors

The board members who held office during the year were as indicated on pages v to vii of the accounts.

Auditors

The Auditor General is responsible for the statutory audit of the company's financial statements in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015

By order of the Board



ENG. D.NG'ANG'A

Secretary to the Board

12/03/2024

12.Statement Of Directors' Responsibilities

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

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on 30th June 2023. 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, 2023, 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 12th March 2024 and signed on its behalf by:

SIGNED: 
DR. P.K MUNGA
CHAIRMAN


ENG. D.NG'ANG'A
MANAGING DIRECTOR

REPUBLIC OF KENYA



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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MURANG'A WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Murang'a Water and Sanitation Company Limited set out on pages 1 to 27, which comprise the statement of financial

Report of the Auditor-General on Murang'a Water and Sanitation Company Limited for the year ended 30 June, 2023

position as at 30 June, 2023 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Long Outstanding Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.114,282,183 which, as disclosed in Note 18 to financial statements, includes trade receivables balance of Kshs.86,624,134 net of provision for doubtful debts of Kshs.9,624,904. However, the trade receivable balance includes debts amounting to Kshs.71,313,759 owed by seven thousand, five hundred and fifty-five (7,555) customers whose water accounts have been terminated or remained dormant for a period of over six months. Further, the balance includes Kshs.72,022,615 owed by County Government of Murang'a, out of which a balance of Kshs.12,294,340 relates to defunct Municipal Council of Murang'a that was transferred to County Government of Murang'a which has been outstanding since the year 2013.

In addition, the trade receivables balance includes trade debtors amounting to Kshs.66,133,600 which had been outstanding for periods exceeding one (1) year.

Management has not demonstrated any appropriate measures taken including legal action to enforce collection of the debts.

In the circumstances, the recoverability hence accuracy and completeness of trade receivables balance of Kshs.86,624,134 as at 30 June, 2023 could not be confirmed.

2. Undisclosed Inventories Balance

The statement of financial position reflects inventories balance of Kshs.15,092,393 as disclosed in Note 20 to the financial statements. However, the balance excludes an inventory of Water (volume of Water stock that is produced/work in progress but held within the distribution infrastructure) of treated and raw water of undetermined value. This is contrary to the provisions of International Accounting Standard (IAS) 2 on inventory which provides that an entity shall disclose in the financial statements the accounting

policies for inventories, the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity, the carrying amount of inventories carried at fair value less costs to sell, and the amount of inventories recognized as an expense during the period.

In the circumstances, the accuracy and completeness of the inventories balance of Kshs.15,092,393 as at 30 June, 2023 could not be confirmed.

✱ 3. Inconsistencies and Inaccuracies in the Financial Statements

Review of the financial statements prepared and submitted for audit revealed the following anomalies:-

- i. The statement of cash flows reflects net decrease in cash and cash equivalents amounting to Kshs.7,464,061. However, the balances were not referenced by way of Notes to the financial statements as required by revised reporting template, 2023 prescribed by the Public Sector Accounting Standards Board.
- ii. The statement of comparison of budget and actual amounts was not prepared in the format required by revised reporting template, 2023 prescribed by the Public Sector Accounting Standards Board.

In the circumstances, the accuracy and completeness of the financial statements as at 30 June, 2023 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual revenue on comparable basis of Kshs.320,355,297 and Kshs.275,838,613 respectively, resulting to a shortfall of Kshs.44,516,684 (or 14%) of the budget. Further, the statement reflects final capital expenditure budget of Kshs.188,580,248 and actual capital expenditure of kshs.39,478,510, resulting to under-expenditure of Kshs.149,101,738 or 79% of the budget.

The revenue shortfall and under-expenditure may have affected the planned activities of the Company and service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Matters

The progress on follow up on Auditor's recommendations section of the financial statements reflects that the issues raised in previous year's audit report remain unresolved as at 30 June, 2023. No satisfactory explanations were provided for not resolving the issues.

Other Information

The Directors are responsible for the other information, which comprises the Chairman's Statement, Report of the Managing Director, Review of the Company's Performance for financial year 2022/2023 against the Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and the Statement of Directors' Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Staff Costs

1.1 Non-Compliance with a Third Rule on Salary Deductions

As previously reported, review of the Company's June payroll revealed that twenty-eight (28) staff had net salaries falling below a third of their basic pay. This is contrary to the

provisions of Section 19(3) of the Employment Act, 2007 which stipulates that; without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages.

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

1.2 Non-Compliance with Law on Staff Ethnic Diversity

Review of staff records revealed that during the year under review, the Company had one hundred and forty-eight (148) staff out of whom, one hundred and forty-one (141) or 95% of the total number were members of the dominant ethnic community in the county. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community.

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

1.3 Staff Cost in Excess of the Recommended Threshold

The statement of profit or loss and other comprehensive income reflects staff cost of Kshs.148,195,410 representing approximately 48% of total expenditure of Kshs.310,029,727 for the year under review. This is higher than the recommended limit of 35% for large companies where the water service provider has been categorized as recommended by Section 3.9(10) of Water Services Regulatory Board (WASREB) Corporate Governance Guidelines, 2018.

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

2.Failure to Update Water Tariff Structure

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

In the circumstances, the Company continues to earn lower revenues as a result of using outdated water tariffs. Further, Management was in breach of the law.

3. Board Members Exceeding the Required Threshold

Information available indicated that the Company's Board comprises of ten (10) directors against WASREB Corporate Governance Guidelines for the Water Services Sector 2018, Part 3.4.1, which states that the Board membership for medium and large companies should be seven (7) comprising of two members from the County executive. Further, the County Executive of Murang'a had a representation of three (3) board members contrary to WASREB guidelines.

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

4. Non-Compliance with Statutory Meetings by the Audit Committee

Review of the audit committee minutes revealed that only three meetings were held in the period 1 July, 2022 to 30 June, 2023. This is contrary to Regulation 172(1) of the Public Financial Management (County Governments) Regulations, 2015 which provides that the audit committee shall meet at least once in every three months.

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

5. Avoidable Arbitration Expenditure

The Company Management paid a construction Company an arbitration fee amounting to Kshs.12,000,000 as a result of termination of contract number MUWASCO/MWP/001/2017 by the Company in respect to Maragua Urban Water Supply Project.

In the circumstances, value for money was not obtained on the expenditure of Kshs.12,000,000.

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

Basis for Conclusion

Weaknesses in Imprests Management

During the year under review, temporary imprests amounting to Kshs.13,192,166 were issued to various staff to facilitate them on assignments outside their duty station without formal application of imprest through imprest warrants. This is contrary to Regulation 91(2) of the Public Finance Management (County Governments) Regulations, 2015 which requires that an officer authorized to hold and operate an imprest to make formal application for the imprest through an imprest warrant. Further, Management did not maintain an imprest register contrary to Regulation 93(4)(c) of the Public Finance Management (County Governments) Regulations, 2015 which requires that before issuing temporary imprests, the Accounting Officer shall ensure that the applicant imprest has been recorded in the imprest register including the amount applied for.

In the circumstances, the effectiveness of internal controls on imprest management could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters

related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to liquidate the Company or to cease operations.

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

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

The Board of Directors is responsible for overseeing the 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 overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 April, 2024

Murang'a Water And Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

14.Statement Of Profit or Loss & Other Comprehensive Income For The Year Ended 30 June 2023

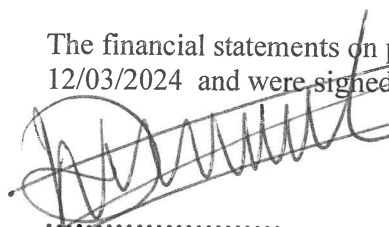
REVENUE	NOTES	2022/2023	2021/2022
		Kshs	Kshs
Operating Revenue	6	269,261,667	261,745,623
Grants Income	7	12,183,422	45,036,274
Other income	8	20,985,538	4,780,981
Total Revenue		302,430,627	311,562,878
EXPENSES			
Staff cost	9	148,195,410	123,293,567
Administration expenses	10	56,782,208	50,376,537
Production and maintenance expenses	11	61,450,951	56,352,769
General And Operating Expenses	12	12,767,139	12,798,171
Depreciation and amortization	13 and 14	26,143,936	26,682,263
Board expenses	15	4,690,083	4,881,054
Finance cost	16	-	10,903
Total expenses		310,029,727	274,395,264
Profit/Loss Before Taxation		(7,599,100)	37,167,614
Income Tax		-	-
PROFIT/LOSS AFTER TAXATION		(7,599,100)	37,167,614

Murang'a Water And Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023


15.Statement Of Financial Position As At 30 June 2023

ASSETS	NOTES	2022/2023	2021/2022
		Kshs	Kshs
Non Current Assets			
Property, plant and equipment	13	322,216,165	308,747,726
Intangible assets	14	535,460	640,325
Investment in subsidiary	17	40,748,030	
Total Non-Current Asset		363,499,655	309,388,051
Current Assets			
Trade and other Receivables	18	114,282,183	127,826,650
Bank and cash balances	19	2,101,241	9,565,302
Inventories	20	15,092,393	18,367,179
Investment in subsidiary	17	-	20,488,369
		131,475,817	176,247,500
Total Current Assets			
TOTAL ASSETS		494,975,472	485,635,551
EQUITY AND LIABILITIES			
Capital And Reserves			
Capital reserves	21	33,275,181	33,275,181
Revenue reserves	22	172,909,284	180,508,384
Total Capital and Reserves		206,184,465	213,783,565
Non-Current Liabilities			
Deferred income	23	122,385,482	128,953,061
Total Non-Current Liabilities		122,385,482	128,953,061
Current Liabilities			
Deferred income	23	7,593,452	9,513,175
Trade and other payables	24	156,473,172	131,046,849
Tax payable	25	2,338,901	2,338,901
Total Current Liabilities		166,405,525	142,898,925
TOTAL EQUITY AND LIABILITIES		494,975,472	485,635,551

The financial statements on pages 1-26 were approved by the board of directors on 12/03/2024 and were signed on its behalf by:



ENG.D. NG'ANG'A
MANAGING DIRECTOR



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



DR P.K MUNGA
CHAIRMAN

Murang'a Water And Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

16.Statement Of Changes In Equity For The Year Ended 30 June 2023

	NOTES	CAPITAL RESERVES (Kshs)	REVENUE RESERVES (Kshs)	TOTALS (Kshs)
Balance at 1 st July 2021		33,275,181	143,340,770	176,615,951
Surplus for the year	22	-	37,167,614	37,167,614
Balance at 30th June 2022		33,275,181	180,508,384	213,783,565
Balance at 1st July 2022		33,275,181	180,508,384	213,783,565
Surplus for the year	22	-	(7,599,100)	(7,599,100)
Balance at 30th June 2023		33,275,181	172,909,284	206,184,465

Murang'a Water And Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

17. Statement Of Cashflow For The Year Ended 30 June 2023

		2022/2023	2021/2022
		(Kshs)	(Kshs)
Cash Flows from operating activities	Notes		
Receipts			
Operating Receipts		257,916,852	240,323,386
Other Income		26,166,298	41,935,465
Customer deposits		7,100,500	6,693,100
Total receipts		291,183,650	288,951,951
Payments			
Staffs costs		142,395,620	119,002,706
Administration expenses		55,574,651	60,880,446
Production and maintenance expenses		54,983,404	58,932,483
General and operating expenses		8,179,097	8,715,510
Board expenses		4,616,740	4,810,456
Refund of customer deposits		2,171,411	1,796,392
Total payments		267,920,923	254,137,993
Net cash from operating activities		23,262,727	34,813,958
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(30,397,788)	(32,420,631)
Purchase of Intangible asset		(29,000)	(548,574)
Transfer to subsidiary company		(300,000)	(1,125,000)
Net cash flows from investing activities		(30,726,788)	(34,094,205)
Cash flows from Financing Activities			
Repayment of borrowings	16		(650,852)
Net Cash flows from financing activities		-	(650,852)
Increase/decrease in cash and cash equivalent		(7,464,061)	68,901
Cash and cash equivalents at the beginning of year	19	9,565,302	9,496,401
Cash and Cash equivalents at end of year	19	2,101,241	9,565,302

Murang'a Water And Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

18. Statement Of Comparison Of Budget And Actual Amounts For The Period Ended 30 June 2023

	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL	PERFORMANCE DIFFERENCE	% VARIANCE	EXPLANATION OF VARIANCE
REVENUE							
Operating Revenue	313,855,297	-	313,855,297	269,261,667	44,593,630	14	Proposed tariffs not implemented
Other income	6,500,000	-	6,500,000	6,576,946	(76,946)	(1)	
Total Revenue	320,355,297	-	320,355,297	275,838,613	44,516,684	14	
EXPENDITURE							
Staff cost	143,618,633	1,000,000	144,618,633	144,776,640	(158,007)	0	
Administration expenses	62,365,020	1,000,000	63,365,020	58,083,738	5,281,282	8	
Production and maintenance expenses	56,623,700	(300,000)	56,323,700	61,450,951	(5,127,251)	(9)	Decreased bursts and leaks
General And Operating Expenses	7,783,720	3,800,000	11,583,720	12,767,139	(1,183,419)	(10)	Rise in general prices
Board expenses	5,959,500	-	5,959,500	4,690,083	1,269,417	21	County members did not attend meetings during first quarter
Total expenditure	276,350,573	5,500,000	281,850,573	281,768,551	82,022	0	
Loss				(5,929,938)			
Capital expenditure	194,080,248	(5,500,000)	188,580,248	39,478,510	149,101,738	79	Kiawambeu t/w inflow project not done
Reconciliation:							
Loss as per statement of comparison budget & actual	(5,929,938)						
Items not in the budget:							
Depreciation	(26,143,936)						
Provision for bad debt	1,301,530						
Amortisation	8,487,302						
Revenue grant	277,350						
Compensation for damaged water network	14,408,592						
Loss as per the statement of profit or loss	(7,599,100)						

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

19. 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. Application Of New And Revised International Financial Reporting Standards

(i) New and amended standards and interpretations in issue effective in the year ended 30th June 2023

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

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes To The Financial Statements(continued)

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.	Effective for annual periods beginning on or after 1 st January 2023.
IAS 8- Accounting Policies, Errors, and Estimates	The amendments, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, require entities to disclose their material accounting policy information rather than their significant accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes To The Financial Statements(continued)

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2023.

The directors do not plan to apply any of the below 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.

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

(iii) Early adoption

The company did not early adopt any new or amended standards in financial year 2022-2023

4. Summary Of Significant Accounting Policies

a. Revenue Recognition

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

- (i) Salaries of the seconded staff paid by Murang'a County Government
- (ii) Amortization of capital grants is from Murang'a county government, Ministry of water & sanitation, Kiharu constituency development fund, Tana Water Works Development Agency, Water sector Trust Fund and Athi Water Works Development Agency

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes To The Financial Statements (continued)

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

b. Property ,Plant and Equipment

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

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

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

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

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

Amortization is provided for the intangible assets like computer software.

d. Reserves

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

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

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

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

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

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.1,080 per employee per month. The company's contributions to the above schemes are charged to profit or loss in the year to which they relate. Gratuity is provided for at 31% of basic salary.

f. Taxation

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

g. Related party transactions

Funds and other grants received from the government are disclosed under appendix 2 and 3. The company is headed by the Board of directors and corporate management team. Gratuity expense on corporate management team is based on 31% of the basic salaries. At the end of financial year the related party transactions were as per note 26.

h. Inventory

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

i. Cash and Cash Equivalent

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

j. Trade and other Payables

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

k. Financial risk management

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

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes To The Financial Statements (continued)

l. Provision for doubtful debts

At the end of financial year the trade debtors amounted to Ksh.96,249,038 and the highest percentage was owed by the Government institutions and the default risk is assessed as low.

The company provides allowance for doubtful debts against all outstanding water and sewerage, meter rent and other billings debts. A general provision of 10% on all these outstanding debts is provided

m. Liquidity risk management

The company has various obligations and liabilities as outlined in note 24 and 25 of the accounts.

The company manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flow.

	Less than 1 month	Between 1-2 months	Between 2-3 months	Over 3 months	Total
At 30 June 2023 Current liabilities(Kshs)	14,095,744	28,689,552	35,368,555	80,658,222	158,812,073
At 30 June 2022 Current liabilities(Kshs)	49,230,640	6,102,620	804,620	77,247,870	133,385,750

n. Market risk

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

o. Comparative figures

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

p. Taxation

Judgment is required in determining the tax liability due to the complexity of legislation. There are many transactions and calculations for which tax determination is uncertain during ordinary course of business. The company recognizes tax liability for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from amounts that were initially anticipated, such difference will impact the income tax in the period in which such determination is made.

q. Useful lives and residual values of property plant and equipment

The company tests annually whether the useful life and residue value were appropriate and in accordance with its accounting policy. Useful lives and residual values of PPE have been determined based on previous experience and anticipated disposal values when assets are disposed.

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes To The Financial Statements (continued)

r. Reporting currency

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

s. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2023.

t. Budget information

The budget for financial year 2022-2023 was approved by the board of directors on 27th May 2022. Both the financial statements and the budget are prepared on accrual basis. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget is presented in the statement of comparison of budget and actual amounts.

u. Incorporation

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

v. Ultimate and holding entity

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

w. Trade and other receivables

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

x. Borrowings

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

y. Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 4c ad 4l

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.

MURANG'A WATER AND SANITATION COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes To The Financial Statements (continued)

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

z. Shareholding

Murang'a Water and Sanitation Company Ltd was incorporated under Companies Act Cap 486 and it's a company limited by guarantee and hence the company has no share capital. The company has a wholly owned subsidiary, Fort Beverage Industries Ltd (FBIL). Fort beverage Industries Ltd made a loss of Ksh. 2,798,192 for the year ended 30th June 2023.

5. Significant judgments and sources of estimation

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. This include;

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available.

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

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

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes To The Financial Statements (continued)

Explanatory Notes To The Accounts

6) Operating Revenue

	2022/2023	2021/2022
	Kshs	Kshs
Water	187,104,080	178,368,151
Sewerage services	44,389,097	43,626,547
Meter rent	10,126,850	9,589,250
Other billings	12,256,640	8,924,175
Re- connection fees	15,385,000	21,237,500
Total	269,261,667	261,745,623

7) Grant income

Accounting For Government Grants

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

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

	2022/2023	2021/2022
	Kshs	Kshs
Amotization of capital grants	8,487,302	9,513,175
Salaries paid to seconded staffs	3,418,770	3,306,796
Chemical, general office supply and fittings grants	257,350	1,073,400
CLSG grants	-	31,142,903
Donations for tree planting	20,000	-
Total	12,183,422	45,036,274

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes To The Financial Statements (continued)

Analysis of revenue grants

Name of the entity sending the grant	Particulars	Amount recognized in statement of comprehensive income	Amount deferred under deferred income	Amount recognized in capital fund	Total income	Financial year
WSTF,AWWDA, TWWDA,Muranga county government	Amortization of capital grants(pipes, meters,water network, motor bikes)	8,487,302	-	-	8,487,302	2022-2023
County government of Muranga	Salaries of seconded staff	3,418,770	-	-	3,418,770	2022-2023
Athi water works development agency	VJ coupling	257,350	-	-	257,350	2022-2023
Total		12,163,422	-	-	12,163,422	

8) Other Income

	<u>2022/2023</u>	<u>2021/2022</u>
	Kshs	Kshs
Water connection fees	6,401,846	4,377,186
Sewer connection fees	172,500	296,500
Unmetered water sales	-	10,000
Surcharges	2,600	97,295
Compensation for damaged water network	14,408,592	-
Total	20,985,538	4,780,981

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes To The Financial Statements (continued)

9) Staff Cost

	<u>2022/2023</u>	<u>2021/2022</u>
	Kshs	Kshs
Gross Salary and Allowances	119,073,026	96,708,658
Salaries (g.o.k grant)	3,418,770	3,306,796
Leave allowances	4,236,095	3,183,208
N.S.S.F company contributions	1,023,560	311,600
Pension contribution	4,920,285	4,035,994
Staff gratuity	4,338,085	3,753,038
Casual wages	1,420,780	981,250
Medical insurance scheme	9,764,809	11,013,023
Total	148,195,410	123,293,567

10) Administration Expenses

	<u>2022/2023</u>	<u>2021/2022</u>
	Kshs	Kshs
Training	3,085,115	2,433,400
Advertising	994,311	859,558
Motor vehicle expenses	19,106,944	14,254,083
Consultancy/professional fees	1,701,677	1,311,300
Sundry and donation expenses	680,996	406,367
Insurances	2,030,467	1,586,705
Membership and subscriptions	360,540	297,885
Courier & postal services	14,160	16,050
Communication and internet expenses	3,261,943	2,648,386
Licences & permits	129,232	105,600
Catering services	352,208	499,119
Contracted guards services	1,562,951	1,395,239
Wasreb levy	2,581,130	2,555,613
Bank service commission & charges	211,345	147,886
Legal fees	3,030,000	4,436,700
Meeting costs ,conferences & seminars	4,069,036	1,661,034
Travel cost	1,357,017	987,460
Increase for credit risk	(1,301,530)	1,490,950
Subsistence allowances	13,192,166	12,920,702
Audit fees	362,500	362,500
Total	56,782,208	50,376,537

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes To The Financial Statements(continued)

11) Production and maintenance expenses

	<u>2022/2023</u>	<u>2021/2022</u>
	Kshs	Kshs
Electricity	3,165,230	3,534,752
Operating and maintenance cost	47,959,396	45,656,725
Chemicals	9,708,000	6,551,502
Water abstraction fee-WRA	618,325	609,790
Total	61,450,951	56,352,769

12) General and operational expenses

	<u>2022/2023</u>	<u>2021/2022</u>
	Kshs	Kshs
Staff uniforms	4,474,400	3,054,100
General office supplies	8,212,519	9,716,431
Newspapers, magazines & periodicals	80,220	27,640
Total	12,767,139	12,798,171

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes To The Financial Statements(continued)

13) Property Plant & Equipments

COSTS	1)Buildings (Kshs)	2)pipes &fittings (Kshs)	3)EQUIPMENTS (Kshs)	4)motor vehicles & Cycles (Kshs)	5)computers &computer networking (Kshs)	TOTALS (Kshs)
Cost as at 1 st July 2021	45,655,633	125,979,531	276,447,105	4,591,374	9,104,634	461,778,277
Additions during the year	10,857,046	15,472,248	17,528,248	12,780,000	575,000	57,212,542
Total Cost As At 30th JUNE 2022	56,512,679	141,451,779	293,975,353	17,371,374	9,679,634	518,990,819
Cost as at 1 st July 2022	56,512,679	141,451,779	293,975,353	17,371,374	9,679,634	518,990,819
Additions during the year		21,700,201	16,802,309		976,000	39,478,510
Total Cost As At 30th JUNE 2023	56,512,679	163,151,980	310,777,662	17,371,374	10,655,634	558,469,329
DEPRECIATION						
As at 1 st July 2021	7,443,053	14,567,809	151,409,905	2,919,409	7,380,735	183,720,911
charge for the year	1,226,741	3,172,099	17,820,681	3,612,991	689,670	26,522,182
Accumulated depreciation As at 1st July 2022	8,669,794	17,739,908	169,230,586	6,532,400	8,070,405	210,243,093
Charge for the year	1,196,072	3,635,302	17,693,385	2,709,743	775,569	26,010,071
Total Accumulated Depreciation As At 30th June 2023	9,865,866	21,375,210	186,923,971	9,242,143	8,845,974	236,253,164
NET BOOK VALUE:						
As at 30th JUNE 2023	46,646,813	141,776,770	123,853,691	8,129,231	1,809,660	322,216,165
As at 30th JUNE 2022	47,842,885	123,711,871	124,744,767	10,838,974	1,609,229	308,747,726

-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 transfered by Tana Water Works Development Agency to County Government Of Muranga. Also other assets and liabilities are yet to be transferred including the new treatment works in Kiawambeu developed through a loan from ADB worth ksh. 533 million.

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes To The Financial Statements(continued)

14) Intangible Assets

COST	Kshs
Cost as at 1 st July 2021	350,000
Additions during the year	685,718
Total cost as at 30 th June 2022	1,035,718
Cost as at 1 st July 2022	1,035,718
Additions during the year	29,000
Total Cost as at 30 th June 2023	1,064,718
AMORTISATION	
As at 1 st July 2021	235,312
Charge for the year	160,081
Total accumulated amortization as at 30 th June 2022	395,393
As at 1 st July 2022	395,393
Charge for the year	133,865
Total accumulated amortization as at 30 th June 2023	529,258
NET BOOK VALUE	
As at 30 th June 2023	535,460
As at 30 th June 2022	640,325

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes To The Financial Statements(continued)

15) Board Expenses

	<u>2022/2023</u>	<u>2021/2022</u>
	Kshs	Kshs
Sitting allowance	2,264,331	2,700,051
Medical insurance	1,314,297	1,048,548
Board expenses-other	1,111,455	1,132,455
Total	4,690,083	4,881,054

16) Loan Interest

	<u>2022/2023</u>	<u>2021/2022</u>
	Kshs	Kshs
Interest payable b/f	-	250,635
Interest/finance cost addition	-	10,903
Interest paid during the year	-	(261,538)
Interest payable c/f	-	-

17) Investment in subsidiary

	<u>2022/2023</u>	<u>2021/2022</u>
	Kshs	Kshs
Brought forward	20,488,369	20,488,369
Additions	20,259,661	-
Carried forward	40,748,030	20,488,369

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes To The Financial Statements(continued)

18)Trade and other Receivables

	<u>2022/2023</u>	<u>2021/2022</u>
	Kshs	Kshs
Trade Receivables	96,249,038	91,000,925
Less provision for doubtful debts	(9,624,904)	(10,926,434)
Total Trade Receivables	86,624,134	80,074,491
Other receivables	26,375,052	46,495,407
Prepayment and deposits	1,282,997	1,256,752
Net Book Value	114,282,183	127,826,650

19) Bank and Cash Balances

Financial Institution	Account number	<u>2022/2023</u>	<u>2021/2022</u>
a) Current accounts		Kshs	Kshs
Equity bank	0220290765689	515,586	7,860,533
Family bank	06000015543	10,749	608,287
Cooperative bank	01141573530000	41,453	122,790
Family bank(CLSG A/C)	006000031969	911	911
Sub- total		568,699	8,592,521
b) Deposit account			
Equity bank	0220192975587	1,172,852	711,434
Sub- total		1,172,852	711,434
Others			
c) M-PESA	898600	299,136	260,605
d) Cash at hand		60,554	742
Sub- total		359,690	261,347
Grand Total		2,101,241	9,565,302

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes To The Financial Statements(continued)

20) Inventories

	<u>2022/2023</u>	<u>2021/2022</u>
	Kshs	Kshs
Tools and Fittings	5,275,602	5,289,898
Chemicals	1,751,688	2,070,570
Pipes	3,499,113	2,595,467
Water Meters and Valves	3,790,800	7,729,600
Stationery and cleaning materials	775,190	681,644
Total	15,092,393	18,367,179

21) Capital reserves

	<u>2022/2023</u>	<u>2021/2022</u>
	Kshs	Kshs
Brought forward	33,275,181	33,275,181
Carried Forward	33,275,181	33,275,181

22) Revenue Reserves

	<u>2022/2023</u>	<u>2021/2022</u>
	Kshs	Kshs
Brought forward	180,508,384	143,340,770
Current period	(7,599,100)	37,167,614
Carried Forward	172,909,284	180,508,384

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes To The Financial Statements(continued)

23) Deferred Income

	<u>2022/2023</u>	<u>2021/2022</u>
	Kshs	Kshs
Brought Forward	138,466,236	118,689,832
Amortization on capital grants	(8,487,302)	(9,513,175)
CLSG capital grant	-	12,188,575
Can do kids international-Karichiungu water tank	-	9,940,246
AWWDA-Pipes & Meters	-	7,160,758
Totals	129,978,934	138,466,236
Deferred Income amortizable within one yr	7,593,452	9,513,175
Deferred income amortizable after 1 yr	122,385,482	128,953,061
Total Deferred Income c/f	129,978,934	138,466,236

24) Trade and Other Payables

	<u>2022/2023</u>	<u>2021/2022</u>
	Kshs	Kshs
Customers Prepayments	2,945,877	3,260,390
Suppliers creditors	37,759,709	21,221,826
Other creditors	7,274,774	5,680,913
Provision for audit fees	2,537,500	1,812,500
Accrued bills	63,874,105	61,673,731
Customer deposits	38,980,525	35,833,270
Gratuity payable	722,550	867,094
Withholding VAT	243,092	182,445
VAT on meter rent	2,135,040	514,680
Total	156,473,172	131,046,849

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

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes To The Financial Statements(continued)

25) Tax payable

	<u>2022/2023</u>	<u>2021/2022</u>
	<u>Kshs</u>	<u>Kshs</u>
At beginning of the year	2,338,901	2,338,901
Charge for the year	-	-
Paid(offset by VAT receivables allowed)	-	-
At the end of the year	2,338,901	2,338,901

26) Related Party Disclosures

The following are the related parties of the company

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

Expenses Incurred On Behalf Of Related Parties

	2022/2023	2021/2022
	Kshs	Kshs
B.O.D expenses	4,690,083	4,881,054
Management salaries and leave allowances	16,433,138	15,281,643
Management gratuity	4,338,085	3,753,038
Total	25,461,306	23,915,735

27) Capital Commitments

The following capital commitments are expected to be incurred in the year 2023/2024

<u>NO</u>	<u>DETAILS</u>	<u>Kshs</u>
1	Meters and accessories	9,187,200
2	Water network and sewer network	24,779,192
3	Motor vehicle & cycles	4,000,000
4	Computer and computer networking	1,850,000
5	Equipments, Furniture and fittings	1,000,000
6	Non Revenue management and GIS Equipments	1,000,000
7	Mukungae-kiharu water project	150,000,000
	Total	191,816,392

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023**

20. Appendices

Appendix 1: Progress On Follow Up Of Auditor Recommendation

Reference No.	Observation	Management comments	Status	Timeframe
Basis of Qualification				
1.0	Long outstanding payables	The company has been operating with non cost recovery tariffs which affected the liquidity of the company making it dependent on Government subsidies for its operations and supplier credits. Efforts were made to ensure that the company has cost recovery tariffs which were approved by the Water Services Regulatory Board and gazetted on 23rd May 2014; however the tariffs were not implemented immediately due to political interference. The same tariffs have expired and the new one approved by WASREB but the same is yet to be gazetted hence the challenges of settling the outstanding debts. It's worth noting that in the balance of current liabilities the company had accrued bills of Ksh 49.5 Million owed to TWWDA and since the company had made capital investment on behalf of TWWDA valued Ksh 44 Millions, the management is pursuing the same to be converted to equity capital.	Not resolved	FY 2025-2026
2.0	Long outstanding receivables	Efforts of collecting these debts are done through writing to them. For the individual customers we are following each and every old debt to ensure that it is settled or transferred to the active accounts where the customers have abandoned the old accounts due to debts. It has taken long for KRA to refund the VAT claims. However we have been writing to them requesting to refund the same and during the financial year they offset the January 2018 to April 2018 claims against the tax liability that we have. For the receivables from fort beverage Industries Company, the shareholders approved conversion of the investments to nominal share	Not resolved	FY 2025-2026

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

		capital therefore it now reported as investment in subsidiary.		
3.0	Misclassified investments		Resolved	
Report on lawfulness and effectiveness in use of public resources				
1.1	Non-compliance with a third rule on salary deduction	Review of PAYE rates in the year 2020 and 2021 affects the current earnings of employees .There are those employees who took loans in the year 2020 and the loans are not fully paid upto now and when the PAYE rates were reviewed upwards in the yr 2021 their earnings went down to below one third rule.	Not resolved	FY 2024-2025
1.2	Staff ethnic diversity	The company was started when the National Cohesion and Integration Act was not in operation and the composition of employee was 100% from the dominant community in Murang'a however as management we have endeavored to comply with the National Cohesion and Integration Act of 2008 progressively and currently we have employees in the company who are members of other community at 95% and we intend to improve this over time. For the Board of MUWASCO all the applicants were from the dominant ethnic community hence challenge of attaining the one third rule.	Not resolved	FY 2025-2026
1.3	Staff cost in excess of the recommended threshold	We comply with WASREB regulations on operational sustainability which is measured with the number of staffs per 1,000 connections. During the year under review the operation and maintenance expenditure were not optimal due to outbreak of Covid 19 pandemic hence this resulted to reduced cash flows hence the scale down of operational expenses. We as the management are committed to ensure the personnel costs are maintained within the industrial set benchmark.	Not resolved	FY 2025-2026
1.4	Lack of approved		Resolved	

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

	salary structure for top management			
1.5	Irregular payment of house allowance	We will ensure thehouse allowances paid to staff that is provided for in our CBA and human resource manual matches with that recommended by the salaries and remuneration commission	Not resolved	FY 2025-2026
2.0	Misclassification of expenditure		Resolved	
3.0	Failure to update water tariff structure	The tariffs were not implemented immediately due to political interference. The same tariffs have expired and the new one approved by WASREB but the same is yet to be gazzetted		FY 2025-2026
Report on effectiveness of internal controls,risk management and governance				
1.0	Irregular borrowing from customer deposit account	The spending of customer deposit is for minor investment through water extension. Initially the funds were idle in the bank account and later the same invested in a fixed deposit account the interest earned was minimal. Through investment of the funds the company has been able to extend water services to more consumers thus more coverage and this has contributed to increased revenue to the company. The float approved by the Board is enough to cater for customers who may which to terminate their contract with the company.	Not resolved	There was a BOD authorization
2.0	Lack of data recovery plan		Resolved	
3.0	Failure to tag assets		Resolved	



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ENG.D. NG'ANG'A
Managing Director

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Appendix 2: Inter-Entity Transfers

	ENTITY NAME:	MURANG'A WATER AND SANITATION COMPANY		
		Description of grant	Amount(K.sh)	Fy
1	Transfer from Muranga County Government			
	Revenue grant	Salaries paid to seconded staffs	3,418,770	FY 2022/2023

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

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

Name of the Donor Transferring the funds	Date received as per bank statement/ period project completed	Nature: Recurrent/ Development/ Others	Total Amount - KES	Statement of Financial Performance (Non current assets)	Statement of comprehensive income	Receivables	Others - must be specific	Total Transfers during the Year
Athi water works development agency	15/07/2022	Recurrent	257,350	-	257,350	-	-	257,350
Total			257,350		257,350			257,350