

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

**MURANG'A WATER AND SANITATION
COMPANY**

**FOR THE YEAR ENDED
30 JUNE, 2024**



MURANG'A WATER & SANITATION COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2024

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



MURKIN WATER & SANITATION
COMPANY LIMITED

FOR THE MUNICIPALITY OF
MURKIN WATER & SANITATION
COMPANY LIMITED

Murang'a Water And Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

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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
ENG	Engineer
RT.REV	Right Reverend
DR	Doctor
PROF	Professor
CPA	Certified Public Accountant
HRM	Human Resource Management

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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). The company transitioned to be wholly owned by the County Government of Murang'a on 1st July 2023.

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

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

Name	Designation	Date Of Appointment
RT.REV.DR. T. Gichere	Chairman	Appointed on August 2023
ENG. D. Ng'ang'a	Managing Director	Appointed on August 2023
Susan W. Karina	Member	Appointed on August 2023
Eston G.Kaiyego	Member	Appointed on August 2023
Rosaline N. Kamina	Member	Appointed on August 2023
Robert W. Macharia	Member	Appointed on August 2023
Lucy N. Mugure	Member	Appointed on August 2023
Joyce K. Wachira	Member	Appointed on August 2023
M. Magochi	Member	Appointed on August 2023
PROF. J. Kiarie	Member	Appointed on August 2023
B. Gicheha	Member	Appointed on August 2023
Charles Njenga	Company secretary	Appointed on August 2023

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Corporate Secretary

Mr. Charles Njenga
P.O BOX 52-10200
MURANGA

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

Principal Legal Advisers






The Attorney General
State Law Office, Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

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3. The Board Of Directors

 <p>RT. REV. DR. Timothy I. Gichere</p>	<p>RT. REV. DR. Timothy Irungu Gichere is the current Diocesan Bishop – ACK Diocese of Mt. Kenya Central. He has been a clergy within the Diocese for 28 years and 6 years as a Bishop.</p> <p>He is director of Uzima publishing house (ACK Owned) and current chairman Murang'a Water Sanitation Company (MUWASCO).</p> <p>He holds a honorary doctorate degree in Divinity from ACCIU (US), he has a masters in Pastoral Studies AIU formerly Negst (Kenya), a postgraduate diploma in Pastoral work (AIU), a diploma in youth leadership (Mindolo Zambia) and a diploma in theology from St. Paul's University.</p>
 <p>ENG. Daniel Ng'ang'a</p>	<p>ENG. Daniel Ng'ang'a is the Chairman emeritus 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.</p> <p>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>Susan P. 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.</p> <p>She holds a bachelors degree in social work and administration and has numerous certificates in community development related courses from various institutions. She is an independent member and a member of technical committee.</p>
 <p>Eston 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.</p> <p>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>

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 <p>Rosaline N. 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>
 <p>Robert K.W. Macharia</p>	<p>CS Robert Macharia is a businessman in the hospitality and sports industry. He is the Founder and President of Murang'a Seal Sports Academy. He is an advocate of the High Court of Kenya of more than 22 years standing, a Certified Public Secretary and an Accredited Corporate Governance Auditor. He is a member in good standing of the Law Society of Kenya (LSK) and Institute of Certified Public Secretaries of Kenya (ICS). CS Robert Macharia holds of Bachelor of Laws (LLB) degree from the University of Nairobi. He represents the business community in the Board of Murang'a Water and Sanitation Company Ltd. He is a member of technical committee.</p>
 <p>Lucy N. Mugure</p>	<p>Lucy Njoki Mugure is a seasoned professional with over a decade of distinguished leadership experience. Currently serving as a Board of Director at Murang'a Water and Sanitation Company Limited, she brings a wealth of knowledge and expertise, holding a Master's degree in Organizational Development and a Bachelor's degree in Business Administration. Her career is defined by a strong commitment to effective governance and strategic planning, which consistently fosters the success and growth of organizations, with a particular focus on water-related initiatives. She is a member of audit committee.</p>
 <p>Joyce K. Wachira</p>	<p>Joyce K.wachira is a registered community health nurse and a member of national nurses association of Kenya. She hold a diploma in community health nursing and has over ten year working experience in medical field. She is a national trainer on community case management with over ten year experience in that field, she is also an astute business woman running various businesses in various towns. She is a member of finance committee.</p>
 <p>Mary 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. She is a member of technical committee.</p>

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PROF. J. Kiarie

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. He is a member of finance committee.



B. Gicheha

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 thirteen years of work experience, five as a banker with Co-operative bank and eight as a Subcounty Administrator with Muranga County government. She is a member of audit committee.










Charles Njenga

Charles Njenga is the company's secretary. An advocate of the High Court of Kenya and also a practicing Company Secretary duly registered by the Institute of Public Secretaries'. Holds a Bachelors of Laws degree from the University of Nairobi and a Masters of Laws from ISDE University, Madrid, Spain. He is the legal advisor to the Governor, Muranga County and also a company secretary to various companies including Prime Fuels Ltd and Inter consumer Products Ltd. He is the chairman of the FKF, IDAC committee and also the Chairman of the Egerton University Staff Pension Fund. He is a compliance and governance specialist and has also excelled in the area of litigation and alternative dispute resolution mechanisms within the judicial system.

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4. Key Management Team

The Company's senior management team is as follows:

1.	 ENG. Daniel Ng'ang'a	Bsc Civil Engineering, EMBA, Dip. Community Development, Master of Public Policy and Administration.(MPPA)	Managing Director
2.	 CPA J. Maina	CPA(K), B.Com, Master of Public Policy And Administration(MPPA)	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

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5. Chairman's Statement

Introduction

I am delighted to release our annual report and financial statements for the year ended 30th June 2024. The year saw the company continue to make improvement in some key performance areas which guarantee stakeholders' value and ensure the residents of Murang'a municipality and its' environs have access to safe and reliable water services.

Operating Environment

The year started on a sound note with the company handing over its ownership to the County Government of Murang'a. This greatly enhanced the working relationship between the county government and the company which had a positive change in the working environment. However there has been general decline in economic growth in the country which affected all sectors of the economy and generally capital investment was lower than expected. Notwithstanding this difficult operating environment, the demand for our services continued to rise and we have continued to listen to views of all our stakeholders and endeavor to develop, run and work in an environmentally sustainable and socially responsible manner. This includes a continued focus on operational efficiency, resources conservation efforts and responding to the needs of our customers.

Expansion Programmes

Our focus has been on ensuring that we deliver the highest level 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 network to reach the un-served residents in our area of jurisdiction. Our efforts have been recognized by the County Government of Murang'a and our area of jurisdiction has been recommended for expansion to cover Maragua town, Nginda and Kambiti wards in Maragua constituency. In addition, during the year, our continued relationship with our development partners ensured that we procured investment of **ksh. 21Million**. We also received approval from Water Sector Fund for investment of **ksh. 21Million** under the Conditional Liquidity Support Grant programme funded by the World Bank. We are also pleased that several last mile connectivity projects funded by Athi Water Works Development Agency are in progress in our area of jurisdiction

Financial performance

I am elated to report another year of continued progress for our company in which our financial performance showed improved growth in terms of revenues. Despite the obvious negative effects of the harsh economic environment, our revenues from operating activities in the year rose to **ksh.301Million** from **ksh.275.8Million** reported in the year 2023. The increased sales and prudent management of the available resources enabled us to deliver an investment of **ksh.21Million** in fixed assets from internally generated funds.

Future Plans

Our success depends on our ability to figure out the future by anticipating and responding to change. The company has embraced new technology and has continued to embrace emerging technology in the ICT sector. 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.

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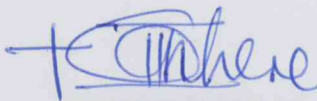
With favorable operating environment, support from our County Government, stakeholders and financial partners, we expect to expand our water supply network to all the residents of our area of jurisdiction and even beyond whenever called upon.

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 members of the Board of Directors, County Government of Murang'a, Athi Water Works Development Agency, 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 hard work and immense service to our customers over the financial year.

To all of you I am forever grateful.



Dr. T. Gichere
Chairman, Board of Directors

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6. Report of the Managing Director

Preface

I am glad to present the annual performance of the company for the period ended 30th June 2024. Largely the yearly performance was steady in the face of the continued sharp rise in the cost of living which has affected the country's economy as a whole. The continued increase in fuel and other inputs prices has affected the company's performance in a great 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 expanding area of operations.

We have continued to perform better than our peers and recently we were awarded by International Benchmarking Network (IBNET), The World bank and International Water Association (IWA) where we were selected as the best in Africa in various key performance indicators and awarded a fully sponsored package to participate in the IWA conference in Toronto Canada to be held in August 2024.

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	2021 /2022	2022 /2023	2023 /2024
1	Total Billings (Kshs in Millions)	262.6	275.8	301
2	Operating Exp (Kshs in Millions)	274.3	310.0	312.2
3	Capital Exp (Kshs in Millions)	48	40	21
4	Number of active water Connections	16,455	17,018	18,739
5	Number of active sewerage Connections	6,320	6,394	6,480

The performance of the company has continued to improve and during the financial year 2023-2024, we were able to increase the active water connections by 1,721 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	13 Million
2	Office furniture's, Equipments and Computers	Internal	1.2 Million
3	Sewerage extensions	Internal	0.4 Million
4	Water Meters	AWWDA	6.7 Millions

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Challenges

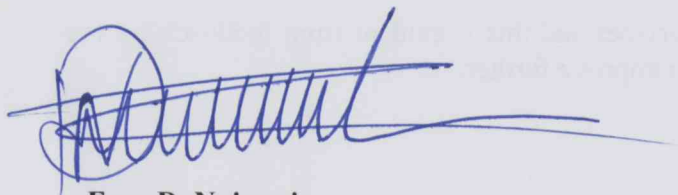
During the year we were not able to implement our new cost recovery tariff as the same had not been gazzeted by WASREB. This coupled with slow economic growth combined with rising input prices led to a deficit in the financial year.

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 aiding us attain what we have achieved in the year 2023/2024. We are expectant that we will achieve much more through their commitment and devotion.

Lastly, my gratitude goes to the County Government of Murang'a, MUWASCO stakeholders, 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 express gratitude to 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

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8. Statement of Performance Against Predetermined Objectives for FY 2023/2024

Muranga Water and Sanitation Company has strategic pillars and objectives within its strategic plan for the financial year 2020/2021 to 2024/2025. These strategic pillars are as follows:

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 six 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 2023/2024 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	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

	Strategy	Strategic plan target	Extent of implementation
PILLAR 3: Human capital development and support			
Strategy 1	Conduct baseline strategic skills and competence audit	Audit reports	95 % done
Strategy 2	Develop long term human capital plans	Documented human capital plans	90 % done
Strategy 3	Undertake job evaluation, job analysis and design	Job evaluation, analysis and design reports	95 % done
Strategy 4	Conduct continuous and structured training needs assessment	Assessment reports	Assessment partially done 50%
Strategy 5	Conduct trainings and development initiatives	1 training per year	Trainings done 80 %
Strategy 6	Undertake training impact assessments	Training assessment report	60 % done
Strategy 7	Enhance employee relations	No negative employee relations cases	No negative employee relations cases
Strategy 8	Review and implement HR policy manual	Documented reviewed HR policy manual	Reviewed- 100% done
Strategy 9	Enhance employee welfare programmes	1 progrm per year	Welfare association and medical cover in place
Strategy 10	Standardize HR operations to global standards	Standardize according to global	In progress

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		HRM standards	
Strategy 11	Create departmental assistant positions	Reviewed organogram	Done - 90% done
Strategy 12	Undertake team building 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:Infrastruture development, work environment development and improvement	Strategy	Strategic plan target	Extent of implementation
Strategy 1:	Increase raw water intake	Increased volume	Increased from 261,671 to 268,420
Strategy 2	Improve fleet and transport infrastructure	New motorbikes/vehicles	None procured
Strategy 3	Improvement of office facilities	Improved offices	Customer care and revenue offices improved
Strategy 4	Purchase of survey equipments	Survey equipment available and in use	In progress-60% attained
Strategy 5	Procure effective customer billing system	System in use	Procured-100%
Strategy 6	Procure stores management software	Software in place	Procurement of ERP is in progress
Strategy 7	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 stakeholders' 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	7
Finance and Admin Committee Meeting	2
Audit Committee Meeting	2
Technical committee Meeting	2
Total	13

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.

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Corporate Governance Statement(Continued)

Finance and administration committee

The committee comprises of three non executive directors. 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. 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 and transport allowances in connection with Board and committee meetings.

Murang'a Water And Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

Attendance of board meetings

DATE	MEETING	P.K MUNGA	DR. TIMOTHY GICHERE	LUCY NJOKI	ROBERT MACHARIA	CHARLES NJENGA	JOYCE WACHIRA	H.M MWITHIGA	ESTON GATIMA	SUSAN PERIS KARINA	MONICA W GICHOMO	JANE KAMWAGA	ROSALINE KAMINA	CEC WATER	CEC FINANCE	B.GICHEHA
7/25/2023	full board	✓						✓	✓	✓	✓	✓	✓	✓	✓	
10/13/2023	full board		✓	✓	✓		✓		✓	✓			✓	✓	✓	
10/31/2023	full board		✓	✓					✓	✓			✓		✓	
11/14/2023	corporate governance		✓	✓		✓	✓		✓	✓			✓	✓		✓
12/21/2023	full board		✓	✓		✓	✓		✓	✓			✓	✓	✓	✓
1/22/2024	audit committee			✓									✓			✓
1/22/2024	finance and admin committee						✓		✓						✓	
1/22/2024	technical committee				✓					✓				✓		
1/25/2024	full board		✓	✓	✓	✓	✓		✓	✓			✓	✓	✓	✓
3/11/2024	full board			✓	✓	✓	✓		✓	✓			✓	✓		✓
4/19/2024	audit committee			✓									✓			✓
4/19/2024	technical committee				✓					✓				✓		
4/19/2024	finance and admin committee					✓			✓						✓	
4/25/2024	Full board		✓	✓	✓	✓	✓		✓	✓			✓	✓	✓	✓

Murang'a Water And Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

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.

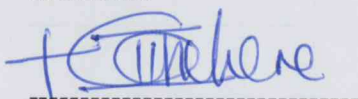
Ethics and conduct of directors

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 board charter.

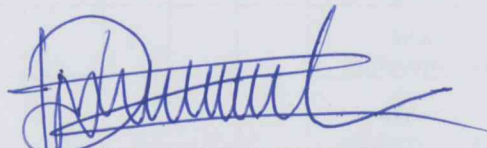
Going concern

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	2022/2023	2023/2024
1	Total Billings (Kshs in Millions)	275.8	301
2	Operating Exp (Kshs in Millions)	310.0	312.2
3	Capital Exp (Kshs in Millions)	40	21
4	Number of Active Water Connections	17,018	18,739
5	Number of Active Sewerage connections	6,394	6,480
6	Non-revenue Water	24%	36%

SECTION B

Entity's compliance with statutory requirements

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

SECTION C

Key projects and investment decisions the entity is planning/implementing

Muranga Water and Sanitation Company is a company limited by guarantee hence it cannot be able to finance its projects 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 six of clean water and sanitation.

Murang'a Water And Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

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 II water project	Development partner	The project will increase the production capacity per day hence more supply to the increasing population and demand.	3,700,000,000
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 the company's 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.

Murang'a Water And Sanitation Company Limited

Annual Report and Financial Statements for the year ended June 30, 2024

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 gives rise to credit risk. At the end of the year, the trade debtors amounted to Ksh 122,091,732 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.

Liquidity Risk

The company has various obligation and liabilities as outlined in note 18 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. 118,993,829

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 the improved economic and social development of the 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 recognizes and performs its obligations inline with the National Government, the County Government of Murang'a- its major stakeholder, as well as other stakeholders, and the community in which it operates. 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 identify 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 efficiently and sustainably 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 President William Ruto directed. 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. Early in the year, we partnered with the Ministry of Education where we engaged primary and secondary schools in our initiative Muwasco Mazingira Bora program where we planted over 80,000 trees in schools. We are working closely with the school heads in order to ensure that the seedlings are nurtured to growth. This program we believe will prepare young environmentalists who will ensure we secure a climate-friendly tomorrow. We are currently nurturing a nursery bed for fruit and indigenous trees with a capacity of about 1 million seedlings at our Karii Sewerage treatment plant.

Murang'a Water And Sanitation Company Limited

Annual Report and Financial Statements for the year ended June 30, 2024

iii) Employee welfare

The company has a 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 every year and pays the training fees for the training that arises. The departmental heads and section heads appraise the staff quarterly and the appraisals are used to reward the staff.

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

Developing a strong relationship with suppliers helps ensure that suppliers of essential supplies and contracts are fair and that business conducted together is 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 always obtains value for money spent on procurement by ensuring that only those items needed are bought; that these items are of good quality and 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 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 must carry out a customer satisfaction survey annually 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 programme 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 organised by the Anglican Churches of Kenya, Mt Kenya Central Diocese.

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. We continue monitoring their performance to enhance their resolute vision towards their academic and intellectual excellence.

We endeavour to continue to strengthen our corporate governance structure to enhance 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

Murang'a Water And Sanitation Company Limited

Annual Report and Financial Statements for the year ended June 30, 2024

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 2024.

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 Surplus of **Kshs 15,605,242** as set out on page one of the accounts.

Dividends

The company has not declared dividends for the year ended 30th June 2024. This is in line with section 131(3) of Water Act 2016

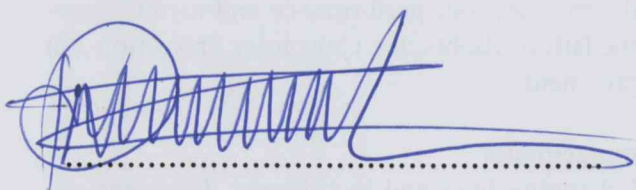
Directors

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

19/08/2024

12. Statement of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015 require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2024. 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 responsibility for the Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012, Water Act 2016 and Companies Act 2015.

Statement of Directors' Responsibilities (Continued)

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, 2024, 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 financial statements as well as the adequacy of the systems of internal financial control.

Murang'a Water And Sanitation Company Limited

Annual Report and Financial Statements for the year ended June 30, 2024

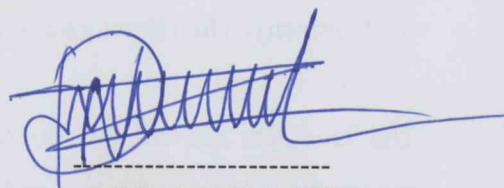
Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The company's financial statements were approved by the Board on 19th August 2024 and signed on its behalf by:

SIGNED: _____

RT.REV.DR.T.GICHERE
CHAIRMAN



ENG. D.NG'ANG'A
MANAGING DIRECTOR

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON MURANG'A WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 30, 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, 2024

position as at 30 June, 2024 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 effects 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, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Public Finance Management Act, 2012, Water Act, 2016 and the Companies Act, 2015.

Basis for Qualified Opinion

1. Long Outstanding Trade Receivables Accounts

The Statement of Financial Position and as disclosed in Note 18 to the financial statements reflects Kshs.148,399,434 in respect to trade and other receivables which includes Kshs.122,091,732 in respect to trade receivables comprising of Kshs.96,133,241 owed by Murang'a County government and Kshs.25,958,491 in respect to other customers whose water accounts have been terminated or remained dormant for a period over six months. The Management did not explain measures put in place including legal action to enforce collection of the outstanding debt. In addition, the Kshs.96,133,241 owed by Murang'a County government includes an amount of Kshs.12,294,340 in respect to the defunct Municipal Council of Murang'a which dates back to the year 2013 and whose recoverability is in doubt.

In the circumstances, the recoverability of receivables balance of Kshs.148,399,434 could not be confirmed.

2. Failure to Disclose Inventory- Water Inventory

The Statement of Financial Position and as disclosed in Note 20 to the financial statements reflects a balance of Kshs.12,179,786 in respect of Inventories. However, the amount does not include the value of the volume of water held in the company's distribution infrastructure as at the end of the financial year.

In the circumstances, the accuracy of inventories balance of Kshs.12,179,786 could not be confirmed.

3. Long Outstanding Trade Payables

The Statement of Financial Position reflects trade and other payables balance of Kshs.166,113,645, as disclosed in Note 24 to the financial statements. However, the balance includes Kshs.67,155,536 in respect to accrued bills which further includes levies totaling to Kshs.49,458,717 owed to Tana Water Service Board (TWSB) dating back to February 2017. In addition, an amount totaling Kshs.31,111,740 owed to other suppliers has been outstanding for over 90 days.

In the circumstances, the accuracy and recoverability of the long-term receivables totaling Kshs. 80,570,457 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The Statement of Comparison of Budget and Actual amounts reflect final revenue budget and actual revenue on comparable basis of Kshs.337,972,901 and Kshs.301,133,386 respectively resulting to a shortfall of Kshs.36,839,515 or 11% of the budget. Further, The Company's Statement of Comparison of Budget and Actual amounts for the year ended 30 June, 2024 reflects Kshs.337,972,901 in respect to approved revenue budget against budgeted expenditure of Kshs.296,070,975 resulting in a surplus budget of Kshs.41,901,926. This is contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which states that budget revenue and expenditure appropriations shall be balanced.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. I have determined that there are no key audit matters to communicate in my report.

Other Information

Conclusion

Management is responsible for the Other Information set out on page iii to xxvii, which comprise of Key Entity Information and Management, The Board of Directors, Key

Report of the Auditor-General on Murang'a Water and Sanitation Company Limited for the year ended 30 June, 2024

Management team, Chairman's statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Report of the Directors and Statement of Directors' Responsibilities.

The Other Information does not include the financial statements and my audit report thereon.

Basis for conclusion

In connection with my audit on the Company's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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. Non-Adherence to the Law on Staff Ethnic Diversity

An analysis of the staff ethnicity from the records provided revealed that 94% of the one hundred and seventy (170) employees of the company were from the same ethnic community. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that which provides that no public establishment shall have more than one third of its staff from the same ethnic community.

In the circumstances, Management was in breach of the law

2. Non-Adherence to the One-Third Basic Salary Rule

Analysis of the company's payroll revealed that an average of 50 employees per month were drawing net salary of less than one third of their basic salary. This was contrary to Section 19(3) of the Employment Act, 2007 which requires that the total amount of all deductions which may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of the basic pay contrary to section 19 (3) of employment act, 2007.

In the circumstances, Management was in breach of the law

3. High Wage Bill

The Statement of Profit and Loss and Other Comprehensive Income reflect Kshs. 161,344,810 in respect to Compensation of Employees, which represents 52% of operations and maintenance costs of Kshs.312,218,125. During the year, Murang'a Water and Sanitation Company Limited was categorized as a large company and therefore staff costs ought not to exceed 35% of operations and maintenance costs. This is contrary to Paragraph 3.9(9) of Water Service Regulatory Board guidelines, 2024 which states that when fixing remuneration of staff, the total expenditure for each financial year must not exceed the benchmarks set for the services sector nationally, so that personnel costs as share of operations and maintenance cost shall be contained within the set parameters.

In the circumstances, Management was in breach of the law

4. High Non-Revenue Water Level

The Statement of Profit or Loss and Other Comprehensive Income reflect Kshs. 294,944,305 in respect to operating revenue, which includes Kshs.207,801,250 from water sales as disclosed in Note 6 to the financial statements. Review of the records revealed that the Company produced 330,683 cubic meters (m³) of water and only 211,637 Cubic meters (m³) of water was billed to customers. The balance of 119,046 cubic meters (m³) or approximately 36% of the total volume of water produced, with estimated monetary value of Kshs Kshs.116,888,387 represented non-revenue water (NRW). The NRW is therefore 11% over and above the allowable water loss of 25% as per the Water Service Regulatory Board guidelines.

In the circumstances, the high volume of NRW will negatively impact on the Company's profitability and its long-term sustainability.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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 controls, 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

Conclusion

As required by Company 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. Adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for maintaining effective internal controls 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 controls, 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 Management is aware of the intention to cease operations.

Report of the Auditor-General on Murang'a Water and Sanitation Company Limited for the year ended 30 June, 2024

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 comply with the authorities which govern them and that public resources are applied in an effective way.

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

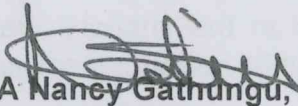
Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generalresponsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

16 January, 2025

Murang'a Water And Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

14. Statement of Profit or Loss & Other Comprehensive Income For The Year Ended 30 June 2024

REVENUE	NOTES	2023/2024	2022/2023
		Kshs	Kshs
Operating Revenue	6	294,944,305	269,261,667
Grants Income	7	11,091,542	12,183,422
Other income	8	6,189,081	20,985,538
Inherited debtors	9	15,598,439	-
Total Revenue		327,823,367	302,430,627
EXPENSES			
Staff cost	10	161,344,810	148,195,410
Administration expenses	11	62,124,608	56,782,208
Production and maintenance expenses	12	52,891,824	61,450,951
General And Operating Expenses	13	5,948,836	12,767,139
Depreciation and amortization	14 and 15	24,819,932	26,143,936
Board expenses	16	5,088,115	4,690,083
Total expenses		312,218,125	310,029,727
Profit/Loss Before Taxation		15,605,242	(7,599,100)
Income Tax		-	-
PROFIT/(LOSS) AFTER TAXATION		15,605,242	(7,599,100)

Murang'a Water And Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

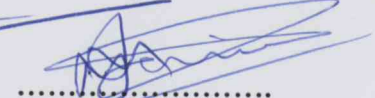
15. Statement of Financial Position As At 30 June 2024

ASSETS	NOTES	2023/2024 Kshs	2022/2023 Kshs
Non Current Assets			
Property, plant and equipment	14	318,746,165	322,216,165
Intangible assets	15	428,368	535,460
Investment in subsidiary	17	40,748,030	40,748,030
Total Non-Current Asset		359,922,563	363,499,655
Current Assets			
Trade and other Receivables	18	148,399,434	114,282,183
Bank and cash balances	19	13,216,752	2,101,241
Inventories	20	12,179,786	15,092,393
Total Current Assets		173,795,972	131,475,817
TOTAL ASSETS		533,718,535	494,975,472
EQUITY AND LIABILITIES			
Capital And Reserves			
Capital reserves	21	33,275,181	33,275,181
Revenue reserves	22	188,514,526	172,909,284
Total Capital and Reserves		221,789,707	206,184,465
Non-Current Liabilities			
Deferred income	23	136,663,225	122,385,482
Total Non-Current Liabilities		136,663,225	122,385,482
Current Liabilities			
Deferred income	23	6,813,057	7,593,452
Trade and other payables	24	166,113,645	156,473,172
Tax payable	25	2,338,901	2,338,901
Total Current Liabilities		175,265,603	166,405,525
TOTAL EQUITY AND LIABILITIES		533,718,535	494,975,472

The financial statements on pages 1-30 were approved by the Board of Directors on 19/08/2024 and were signed on its behalf by:



ENG.D. NG'ANG'A
MANAGING DIRECTOR



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



RT.REV.DR.T.GICHERE
CHAIRMAN

Murang'a Water And Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

16. Statement of Changes In Equity For The Year Ended 30 June 2024

	NOTES	CAPITAL RESERVES (Kshs)	REVENUE RESERVES (Kshs)	TOTALS (Kshs)
Balance at 1 st July 2022		33,275,181	180,508,384	213,783,565
Surplus for the year	22	-	(7,599,100)	(7,599,100)
Balance at 30 th June 2023		33,275,181	172,909,284	206,184,465
Balance at 1 st July 2023		33,275,181	172,909,284	206,184,465
Surplus for the year	22	-	15,605,242	15,605,242
Balance at 30 th June 2024		33,275,181	188,514,526	221,789,707

Murang'a Water And Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

17.Statement Of Cashflow For The Year Ended 30 June 2024

		2023/2024	2022/2023
		(Kshs)	(Kshs)
Cash Flows from operating activities	Notes		
Receipts			
Operating Receipts		288,030,993	257,916,852
Other Income		6,118,230	26,166,298
Customer deposits		8,135,950	7,100,500
Grant income		10,545,400	
Total receipts		312,830,573	291,183,650
Payments			
Staffs costs		155,922,011	142,395,620
Administration expenses		56,664,877	55,574,651
Production and maintenance expenses		49,831,107	54,983,404
General and operating expenses		6,880,538	8,179,097
Board expenses		4,981,585	4,616,740
Refund of customer deposits		2,215,807	2,171,411
Total payments		276,495,925	267,920,923
Net cash from operating activities		36,334,648	23,262,727
Cash flows from investing activities			
Purchase of property,plant and equipment(PPE)		(25,219,137)	(30,397,788)
Purchase of Intangible asset		-	(29,000)
Transfer to subsidiary company		-	(300,000)
Net cash flows from investing activities		(25,219,137)	(30,726,788)
Cash flows from Financing Activities			
Repayment of borrowings		-	-
Net Cash flows from financing activities		-	-
Increase/decrease in cash and cash equivalent		11,115,511	(7,464,061)
Cash and cash equivalents at the beginning of year		2,101,241	9,565,302
Cash and Cash equivalents at end of year	19	13,216,752	2,101,241

Murang'a Water And Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

18. Statement of Comparison of Budget And Actual Amounts For The Period Ended 30 June 2024

REVENUE	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL	PERFORMANCE DIFFERENCE	% OF UTILIZATION	EXPLANATION OF VARIANCE
Operating Revenue	331,972,901		331,972,901	294,944,305	37,028,596	89	Proposed tariffs not implemented
Other income	6,000,000		6,000,000	6,189,081	(189,081)	103	
Total Revenue	337,972,901	-	337,972,901	301,133,386	36,839,515	89	
EXPENDITURE							
Staff cost	154,522,851	4,700,000	159,222,851	157,846,720	1,376,131	99	
Administration expenses	59,868,084	4,640,000	64,508,084	59,540,349	4,967,735	92	
Production and maintenance expenses	60,612,820	(2,500,000)	58,112,820	52,891,824	5,220,996	91	
General And Operating Expenses	10,267,720	(2,000,000)	8,267,720	5,948,836	2,318,884	72	Printing of magazines & annual accounts not done during the year.
Board expenses	5,959,500	-	5,959,500	5,088,115	871,385	85	Fewer meetings than expected in the first half of the year due to the process of changing board members.
Total expenditure	291,230,975	4,840,000	296,070,975	281,315,844	14,755,131	95	
Profit				19,817,542			
Capital expenditure	212,907,192	(4,840,000)	208,067,192	21,242,840	186,824,352	10	Mukungae-Kiharu water project not done, CLSG II grant not received.
Reconciliation:							
Loss as per statement of comparison budget & actual	19,817,542						
Items not in the budget:							
Depreciation	(24,819,932)						
Provision for bad debt	(2,584,259)						
Amortisation	7,593,452						
Inherited debtors	15,598,439						
Profit as per the statement of profit or loss	15,605,242						

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

MURANG'A WATER AND SANITATION COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2024

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 the 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 2024

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 2024

Notes to the financial statements(continued)

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, applicable to annual periods beginning on or after 1st January 2024, 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, applicable to annual periods beginning on or after 1st January 2024, 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, applicable to annual periods beginning on or after 1 st January 2024, 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.

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

MURANG'A WATER AND SANITATION COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2024

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 2024.

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
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

(iii) Early adoption

The company did not early adopt any new or amended standards in financial year 2023-2024

4. Summary of 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, 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 2024

Notes to the financial statements (continued)

(iii) Billings represents the amount earned from the billings of water, sewer and meter replacement fees. Other billings include miscellaneous billings like water theft penalties, search fee, relocation of meter charges.

Other incomes include water and sewer connection fees, unmetered water sales and surcharges.

b. In-kind contributions

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

c. Property ,Plant and Equipment

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

d. Depreciation and Impairment of property,pland and equipment

Freehold land and capital work in progress are not depreciated. Depreciation 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:

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

Depreciation 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.

e. Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a reducing balance basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

MURANG'A WATER AND SANITATION COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2024

Notes to the financial statements (continued)

f. Amortization and impairment of intangible assets

Amortization is provided for the full year irrespective of the month of purchase but no amortization charged in the year of disposal. Amortization is provided for the intangible assets like computer softwares. The amortization rate is 20% on reducing balance.

g. 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.

h. Retirement benefit obligations

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.

i. Taxation

The company 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%.

j. 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.

k. Inventory

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

MURANG'A WATER AND SANITATION COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2024

Notes to the financial statements (continued)

l. 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.

m. 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.

n. 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.

o. Provision for doubtful debts

At the end of the financial year the trade debtors amounted to Ksh.122,091,732 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 2024 Current liabilities(Kshs)	17,556,156	31,005,869	36,789,254	83,101,267	168,452,546
At 30 June 2023 Current liabilities(Kshs)	14,095,744	28,689,552	35,368,555	80,658,222	158,812,073

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.

MURANG'A WATER AND SANITATION COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2024

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 2024.

t. Budget information

The budget for financial year 2023-2024 was approved by the board of directors on 8th May 2023. A review of the budget was approved by the board on 25th January 2024. 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. The provision for bad debt is at 10% of all trade receivables debt

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.

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 Surplus of Ksh. 404,174 for the year ended 30th June 2024.

MURANG'A WATER AND SANITATION COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2024

Notes to the financial statements (continued)

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 all trade receivables 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 2024

Notes to the financial statements (continued)

Explanatory Notes To The Accounts

6. Operating Revenue

	2023/2024	2022/2023
	Kshs	Kshs
Water	207,801,250	187,104,080
Sewerage services	48,520,120	44,389,097
Meter replacement fees	10,833,650	10,126,850
Other billings	10,561,285	12,256,640
Re- connection fees	17,228,000	15,385,000
Total	294,944,305	269,261,667

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.

	2023/2024	2022/2023
	Kshs	Kshs
Amortization of capital grants	7,593,452	8,487,302
Salaries paid to seconded staffs	3,498,090	3,418,770
Chemical, general office supply and fittings grants	-	257,350
Donations for tree planting	-	20,000
Total	11,091,542	12,183,422

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2024

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,Murang a county government	Amortization of capital grants(pipes, meters,water network, motor bikes)	7,593,452	-	-	7,593,452	2023-2024
County government of Muranga	Salaries of seconded staff	3,498,090	-	-	3,498,090	2023-2024
Total		11,091,542	-	-	11,091,542	

8. Other Income

	<u>2023/2024</u>	<u>2022/2023</u>
	Kshs	Kshs
Water connection fees	5,908,230	6,401,846
Sewer connection fees	210,000	172,500
Surcharges	70,851	2,600
Compensation for damaged water network	-	14,408,592
Total	6,189,081	20,985,538

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2024

Notes to the financial statements (continued)

9. Inherited debtors

	<u>2023/2024</u>	<u>2022/2023</u>
ZONES	Kshs	Kshs
Maragua town	2,403,761	-
Nginda	12,530,488	-
Samar	664,190	-
Total	15,598,439	-

10. Staff Cost

	<u>2023/2024</u>	<u>2022/2023</u>
	Kshs	Kshs
Gross Salary and Allowances	126,228,889	119,073,026
Salaries (g.o.k grant)	3,498,090	3,418,770
Leave allowances	4,367,065	4,236,095
N.S.S.F company contributions	2,873,863	1,023,560
Pension contribution	5,010,597	4,920,285
Staff gratuity	4,623,956	4,338,085
Casual wages	716,840	1,420,780
Medical insurance scheme	11,666,717	9,764,809
Housing levy	1,569,412	-
Staff welfare	789,381	-
Total	161,344,810	148,195,410

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2024

Notes to the financial statements (continued)

11. Administration Expenses

	2023/2024	2022/2023
	Kshs	Kshs
Training	1,558,410	3,085,115
Advertising	453,906	994,311
Motor vehicle expenses	19,360,876	19,106,944
Consultancy/professional fees	1,092,300	1,701,677
Sundry and donation expenses	372,350	680,996
Insurances	2,498,845	2,030,467
Membership and subscriptions	574,850	360,540
Courier & postal services	36,638	14,160
Communication and internet expenses	4,267,181	3,261,943
Licences & permits	-	129,232
Catering services	105,226	352,208
Contracted guards services	1,857,197	1,562,951
Wasreb levy	2,854,081	2,581,130
Bank service commission & charges	197,945	211,345
Legal fees	3,030,000	3,030,000
Meeting costs ,conferences & seminars	6,045,067	4,069,036
Travel cost	1,740,370	1,357,017
Increase for credit risk	2,584,259	(1,301,530)
Subsistence allowances	13,037,107	13,192,166
Audit fees	362,500	362,500
Office rent	95,500	-
Total	62,124,608	56,782,208

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2024

Notes to the financial statements (continued)

12. Production and maintenance expenses

	2023/2024	2022/2023
	Kshs	Kshs
Electricity	5,759,262	3,165,230
Operating and maintenance cost	36,383,607	47,959,396
Chemicals	10,038,145	9,708,000
Water abstraction fee-WRA	710,810	618,325
Total	52,891,824	61,450,951

13. General and operational expenses

	2023/2024	2022/2023
	Kshs	Kshs
Staff personal protective equipments	1,695,600	4,474,400
General office supplies	4,143,316	8,212,519
Newspapers, magazines & periodicals	109,920	80,220
Total	5,948,836	12,767,139

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2024

Notes To The Financial Statements(continued)

14. Property Plant & Equipments

<u>COSTS</u>	1)Buildings (Kshs)	2)pipes &fittings (Kshs)	3)EQUIPMENTS (Kshs)	4)motor vehicles & Cycles (Kshs)	5)computers &computer networking (Kshs)	TOTALS (Kshs)
Cost as at 1 st July 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
Cost as at 1 st July 2023	56,512,679	163,151,980	310,777,662	17,371,374	10,655,634	558,469,329
Additions during the year		8,130,140	12,524,171		588,529	21,242,840
Total Cost As At 30th JUNE 2024	56,512,679	171,282,120	323,301,833	17,371,374	11,244,163	579,712,169
<u>DEPRECIATION</u>						
As at 1 st 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
Accumulated depreciation As at 1st July 2023	9,865,866	21,375,210	186,923,971	9,242,143	8,845,974	236,253,164
Charge for the year	1,166,170	3,747,673	17,047,233	2,032,308	719,457	24,712,840
Total Accumulated Depreciation As At 30th June 2024	11,032,037	25,122,883	203,971,203	11,274,451	9,565,430	260,966,004
<u>NET BOOK VALUE:</u>						
As at 30th JUNE 2024	45,480,642	146,159,237	119,330,630	6,096,923	1,678,733	318,746,165
As at 30th JUNE 2023	46,646,813	141,776,770	123,853,691	8,129,231	1,809,660	322,216,165

-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 2024

Notes To The Financial Statements(continued)

15. Intangible Assets

COST	Kshs
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
Cost as at 1 st July 2023	1,064,718
Additions during the year	-
Total Cost as at 30 th June 2024	1,064,718
AMORTISATION	
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
As at 1 st July 2023	529,258
Charge for the year	107,092
Total accumulated amortization as at 30 th June 2024	636,350
NET BOOK VALUE	
As at 30 th June 2024	428,368
As at 30 th June 2023	535,460

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2024

Notes To The Financial Statements(continued)

16. Board Expenses

	<u>2023/2024</u>	<u>2022/2023</u>
	Kshs	Kshs
Sitting allowance	3,341,321	2,264,331
Medical insurance	1,205,864	1,314,297
Board expenses-other	540,930	1,111,455
Total	5,088,115	4,690,083

17. Investment in subsidiary

	<u>2023/2024</u>	<u>2022/2023</u>
	Kshs	Kshs
Brought forward	40,748,030	20,488,369
Additions	-	20,259,661
Carried forward	40,748,030	40,748,030

18.Trade and other Receivables

	<u>2023/2024</u>	<u>2022/2023</u>
	Kshs	Kshs
Trade Receivables	122,091,732	96,249,038
Less provision for doubtful debts	(12,209,163)	(9,624,904)
Total Trade Receivables	109,882,569	86,624,134
Other receivables	37,280,902	26,375,052
Prepayment and deposits	1,235,963	1,282,997
Net Book Value	148,399,434	114,282,183

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2024

Notes to the financial statements(continued)

19) Bank and Cash Balances

Financial Institution	Account number	<u>2023/2024</u>	<u>2022/2023</u>
a) Current accounts		Kshs	Kshs
Equity bank	0220290765689	1,387,030	515,586
Family bank(revenue collection A/C)	06000015543	57,041	10,749
Cooperative bank	01141573530000	73,711	41,453
Family bank(CLSG 1 A/C)	006000031969	911	911
Family bank(CLSG 2 A/C)	006000037426	10,543,760	-
Family bank(CLSG 2 ESCROW A/C)	00600037425	281,210	-
Sub- total		12,343,663	568,699
b) Deposit account			
Equity bank	0220192975587	95,311	1,172,852
Sub- total		95,311	1,172,852
Others			
c) M-PESA	Paybill -898600	631,697	299,136
d) Cash at hand		146,081	60,554
Sub- total		777,778	359,690
Grand Total		13,216,752	2,101,241

20. Inventories

	<u>2023/2024</u>	<u>2022/2023</u>
	Kshs	Kshs
Tools and Fittings	3,967,291	5,275,602
Chemicals	937,203	1,751,688
Pipes	1,608,330	3,499,113
Water Meters and Valves	4,685,160	3,790,800
Stationery and cleaning materials	981,802	775,190
Total	12,179,786	15,092,393

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2024

Notes to the financial statements(continued)

21. Capital reserves

	<u>2023/2024</u>	<u>2022/2023</u>
	Kshs	Kshs
Brought forward	33,275,181	33,275,181
Carried Forward	33,275,181	33,275,181

22. Revenue Reserves

	<u>2023/2024</u>	<u>2022/2023</u>
	Kshs	Kshs
Brought forward	172,909,284	180,508,384
Current period	15,605,242	(7,599,100)
Carried Forward	188,514,526	172,909,284

23. Deferred Income

	<u>2023/2024</u>	<u>2022/2023</u>
	Kshs	Kshs
Brought Forward	129,978,934	138,466,236
Amortization on capital grants	(7,593,452)	(8,487,302)
CLSG capital grant	21,090,800	-
Totals	143,476,282	129,978,934
Deferred Income amortizable within one yr	6,813,057	7,593,452
Deferred income amortizable after 1 yr	136,663,225	122,385,482
Total Deferred Income c/f	143,476,282	129,978,934

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2024

Notes to the financial statements(continued)

24. Trade and Other Payables

	<u>2023/2024</u>	<u>2022/2023</u>
	Kshs	Kshs
Customers Prepayments	4,963,816	2,945,877
Suppliers creditors	33,710,602	37,759,709
Other creditors	8,117,570	7,274,774
Provision for audit fees	2,537,500	2,537,500
Accrued bills	67,155,536	63,874,105
Customer deposits	44,903,168	38,980,525
Gratuity payable	731,626	722,550
Withholding VAT	131,924	243,092
VAT on meter rent	3,861,903	2,135,040
Total	166,113,645	156,473,172

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.

25. Tax payable

	<u>2023/2024</u>	<u>2022/2023</u>
	Kshs	Kshs
At beginning of the year	2,338,901	2,338,901
Charge for the year	-	-
Paid	-	-
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.

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2024

Notes to the financial statements(continued)

Expenses Incurred On Behalf Of Related Parties

	2023/2024	2022/2023
	Kshs	Kshs
B.O.D expenses	5,088,115	4,690,083
Management salaries and leave allowances	17,105,389	16,433,138
Management gratuity	4,623,956	4,338,085
Total	26,817,460	25,461,306

27. Capital Commitments

Capital commitments at the year- end for which no provision has been made in these financial statements are:

	2023/2024	2022/2023
	Kshs	Kshs
Amounts authorised and contracted for	-	-
Amounts authorized but not contracted for(CLSG 2 projects)	21,090,800	-
Less: Amounts included in Work in progress	-	-
Meter and accessories	-	9,187,200
Water network and sewer network	-	24,779,192
Motor vehicle and cycles	-	4,000,000
Computer and computer networking	-	1,850,000
Equipments,furniture and fittings	-	1,000,000
Non revenue management and GIS equipments	-	1,000,000
Mukungae-Kiharu water project	-	150,000,000
Total	21,090,800	191,816,392

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2024

Notes to the financial statements(continued)

28. Contingent liability

	2023/2024	2022/2023
	Kshs	Kshs
Court case against the entity-land parcel loc.11/Gikandu/1362	17,404,087	-

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2024

20. Appendices

Appendix 1: Progress on Follow up of auditor recommendation


Reference No.	Observation	Management comments	Status	Timeframe
Basis of Qualification				
1	Long outstanding trade and other receivables	Over 75% of the trade receivable is owed by County Government of Muranga and they have committed to settle the debt in installments through a meeting held at the senate. We have been following up with the customers for settlement of the debts through demand letters. As the management we have come up with a debt collection policy which will go along to ensure the debts are collected	Not resolved	FY 2025-2026
2	Undisclosed inventories balance	All water produced is supplied and we have no surplus water stored in our reservoirs at any given time.	Not resolved	FY 2025-2026
3	Inconsistencies and inaccuracies in the financial statements	The Financial statements are now in line with PASSB template	Resolved	FY 2025-2026
Emphasis of matter				
1	Budgetary control and performance	The proposed tariffs not effected hence resulting to a shortfall of the budget. Use of non cost recovery tariffs affected our cash inflows hence under expenditure on capital budget	Not resolved	FY 2025-2026
Report on lawfulness and effectiveness in use of public resources				
1	Non compliance with a third rule on salary deductions	Review of PAYE rates in the year 2020 and 2021 due to Covid 19 affected the current earnings of employees. There are those employees who took loans in the year 2020 and the loans are not fully paid up to now and when the PAYE rates were reviewed upwards in the year 2021 their earnings went down to below one third rule. Currently all loans are approved by the office to ensure the third rule is adhered to.	Not resolved	FY 2025-2026

MURANG'A WATER AND SANITATION COMPANY LIMITED
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2	Non compliance with law on 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 communities at 5% and we intend to improve this over time. The new positions are advertised with a wider circulation newspaper to attract applicant from all over Kenya.	Not resolved	FY 2025-2026
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. For large and very large water companies the set ratio for staffs per 1,000 connections is between 5-8 staffs and with our company being categorized as large the staff per 1,000 should not exceed 8 and we are currently at 6 staff per 1,000 connections. During the year under review the operation and maintenance expenditure were not optimal due to use of non-cost recovery tariffs hence the revenues collected could not optimally cater for the budgeted expenditures this resulted to reduced cash flows hence the scale down of operational expenses. The management is committed to ensure the personnel costs are maintained within the industrial set benchmark.	Not resolved	FY 2025-2026
4	Failure to update water tariff structure	The current tariff in use has an extension from WASREB and we have applied for new tariffs which has gone through all the process required and we are in the last stage of public participation with stakeholder before the tariffs are gazetted for implementation	Resolved	
5	Board members exceeding in the required threshold	Each member of the board represents a distinct stakeholder as per our memorandums and articles of association. One of extra member from the county government is a professional officer from municipal county	Not resolved	FY 2025-2026

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2024

		where solid waste management is related to water and sanitation services		
6	Non compliance with statutory meetings by the audit committee	The company was transitioning to county government hence the fourth meeting was not held as new directors were being recruited.	Resolved	
7	Avoidable arbitration expenditure	The contract document specified the grounds on which the contract may be terminated and specified the procedures applicable on termination. The contract MUWASCO/MWP/001/2017 was entered in the year 2017 for extension of water to Maragua. The contract was cancelled by Managing Director Murang'a south a letter attached. The contractor claimed compensation as he had already mobilized and started works. WASREB was involved and agreed on arbitration process to avoid higher compensation demanded by the contractor of Ksh 120.3 million	Resolved	
Report on effectiveness of internal controls, risk management and governance				
1.0	Weakness in imprest management	Sec 93(2) b of PMF Act regulation of 2015 allows use of standing imprest which we operate to cater for the required expenses our fixed float of ksh. 200,000. The imprest holder is personally responsible for ensuring only authorized expenditure is incurred. When the imprest holder need funds to be replenished he submits the analysis of the memorandum cash book plus original of supporting documents to the account division for reimbursement. For the accommodation expenses the salaries and remuneration commission has prescribed specific rates for officer on duties in various towns in Kenya.	Not resolved	FY 2025-2026


ENG. D. Ng'ang'a
Managing Director
19/08/2024

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2024

Appendix 2: Inter-Entity Transfers

ENTITY NAME:		MURANG'A WATER AND SANITATION COMPANY	
Type of grant	Description of grant	Amount(K sh)	Fy
1	Transfer from Muranga County Government		
	Revenue grant	Salaries paid to seconded staffs	3,498,090 FY 2023/2024

