REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

RUIRU-JUJA WATER AND SEWERAGE COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2019

OFFICE OF THE AUDITOR GENERAL
CENTRAL HUB
16 SEP 2020
RECEIVED

RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

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

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I. KEY ENTITY INFORMATION

Background information

Ruiru-Juja Water and Sewerage Company Ltd is a public company wholly owned by County Government of Kiambu and Licensed by Water Services Regulatory Board(WASREB) At County level, Ruiru-Juja Water and Sewerage Company Ltd is represented by Chief Officer Department of Water, Environment, Energy and Natural Resources who is responsible for the general policy and strategic direction of the Ruiru-Juja Water and Sewerage Company Ltd . Ruiru-Juja Water and Sewerage Company Ltd is domiciled in Kenya and has no branches.

Principal Activities

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

Board of Directors

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

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

Registered Office

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

Corporate Headquarters

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

Corporate Contacts
Telephone:020-2022651
E-mail: rujwasco2017@gmail.com

Corporate Bankers

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

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

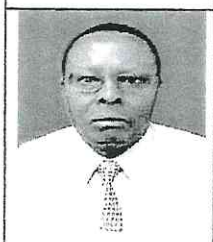
3. Family Bank
   Juja Branch
   P.O. Box 788-00232,
   Ruiru

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

Independent Auditors

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

II. THE BOARD OF DIRECTORS AND MANAGEMENT TEAM

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

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

MANAGEMENT TEAM

Mr. Simon Mwangi
Managing Director
Academic qualification: Bcom,Member of ICPAK

Ms. Mary W. Mwangi
Technical Manager
DOB: 1960
Academic qualification: BSc. In Environ. Engineering

Ms. Mary N. Mwangi
Finance Manager
DOB: 1976
Academic qualification: BCom, Member of ICPAK

Ms. Scolastic Onjala
Accountant
DOB: 1972
Academic qualification: BCom, Member of ICPAK

Ms. Fridah Kimani
Internal Auditor
DOB: 1987
Academic qualification: BCom, Member of ICPAK

III. CHAIRMAN'S STATEMENT

Overview

Ruiru-Juja Water and Sewerage Company Limited (RUJWASCO) is wholly owned by the County Government of Kiambu in line with the Kenya Constitution 2010. The Company's mandate is to provide water and sewerage services within Ruiru and Juja Constituencies that fall in the County of Kiambu.

The Company continues to discharge her mandates faithfully. This is evidenced by continued increase in water connectivity that is supported by provision of high quality and reliable water supply to customers in our area of jurisdiction.

However, the high cost of power continues to pose the greatest challenge to the Company's operations. The Company operates three pumping schemes. The Juja Scheme is supplied from the Ndarugu Water Pumping Intake and the Ruiru Scheme is supplied from the Jacaranda pumping Intake and Ruiru Office Intake.

Future Outlook

The future of the RUJWASCO is very promising as the Company looks forward to benefits from key development projects that are to be undertaken in the area. The following is a highlight of some of the key projects:

i) The KfW Financing project. The project entails water extension works to the entire greater Githurai area of Kahawa Sukari, Kahawa Wendani, Mwihoko and Mwiki areas.

ii) The Ruiru Sewerage Project. This project was done under the Nairobi Metropolitan Services Improvement Project (NAMSIP). The construction of tertiary lines and customers' connections is ongoing which will enable residents in Ruiru constituency including the Greater Githurai benefit from provision of sewerage services.

iii) The Juja Sewerage Project. The project is being undertaken under the Nairobi Metropolitan Services Improvement Project (NAMSIP). The project is aimed at addressing serious wastewater management issues in Juja constituency.

iv) Karimenu II Dam Project. The project will boost Ruiru Jacaranda treatment works by 40,000 cubic metres. The project is estimated to be completed by the year 2023.

Appreciation

I greatly appreciate invaluable support that my Board continues to receive from our shareholder, stakeholders and customers. Your support contributes to the success of the Company.

Finally, I appreciate the Management and Staff of RUJWASCO, who have all worked very hard with great motivation to ensure that the Company continues to register excellent performance.

CHAIRMAN,
BOARD OF DIRECTORS

IV. REPORT OF THE CHIEF EXECUTIVE OFFICER

1 INTRODUCTION.

As we mark 12 years of our company's existence it is always my pleasure to look back and appreciate how far our company has come. Performance has been improving each year and despite all challenges we have managed to increase our customer base from the initial 2,000 customers at inception to the current 30,000 customers. This has made our company to graduate from small size company to medium size and eventually to large company. This has been achieved through the commitment of our shareholder, County Government of Kiambu who has given us an enabling environment and support to perform our duties. The support from our major stakeholders and our partners has improved our infrastructures and other support systems and we are grateful. The commitment of staff and the team spirit has completed the full circle in our Company management and to all I say thank you.

2 PERFORMANCE OF THE COMPANY.

The Company continues to perform well in its areas of operations. The monthly revenue collection has improved from Kshs 2M in the year 2009 to Kshs 50M in the current year. It is my hope that the company will continue to do better. The improved performance is greatly attributed to efficiency in the areas of operations and therefore the company has managed to utilize internally generated funds to develop its water system infrastructure. The company has also received great support from the world Bank through AWSB.

3 UPCOMING PROJECTS

The company is due to receive funds from KFW which will be used to expand the current treatments works from the current water production of 13,000 cubic meters to 30,000 cubic meters by the year 2021. This is set to take over areas of Kahawa Sukari and Githurai areas currently supplied by Nairobi Water Co Ltd

4 CONCLUSION.

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

Mr. Simon Mwangi

MANAGING DIRECTOR

V. CORPORATE GOVERNANCE STATEMENT

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

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

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

Board of Directors

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

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

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

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

Managing Director

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

Governance Structures

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

Board Committees

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

Finance and Administration Committee

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

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

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

Audit Committee

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

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

VI. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Ruiru-Juja Water and Sewerage Company Ltd affairs.

Principal activities

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

Results

The results of the entity for the year ended June 30, 2019 are set out on page 13

Dividends

The Directors recommend no dividend payment for the year.

Directors

The members of the Board of Directors who served during the year are shown on page 4 In accordance with Ruiru-Juja Water and Sewerage Company Ltd Articles of Association.

Auditors

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

By Order of the Board

Secretary

Nairobi

Date: 23/09/2019

VII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 15 of the Public Finance Management Act, 2012 require the Directors to prepare financial statements in respect of that Ruiru-Juja Water and Sewerage Company Ltd, which give a true and fair view of the state of affairs of Ruiru-Juja Water and Sewerage Company Ltd at the end of the financial year/period and the operating results of Ruiru-Juja Water and Sewerage Company Ltd for that year/period. The Directors are also required to ensure that Ruiru-Juja Water and Sewerage Company Ltd keeps proper accounting records which disclose with reasonable accuracy the financial position of Ruiru-Juja Water and Sewerage Company Ltd. The Directors are also responsible for safeguarding the assets of Ruiru-Juja Water and Sewerage Company Ltd.

The Directors are responsible for the preparation and presentation of Ruiru-Juja Water and Sewerage Company Ltd financial statements, which give a true and fair view of the state of affairs of Ruiru-Juja Water and Sewerage Company Ltd for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of Ruiru-Juja Water and Sewerage Company Ltd; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Ruiru-Juja Water and Sewerage Company Ltd financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Ruiru-Juja Water and Sewerage Company Ltd financial statements give a true and fair view of the state of Ruiru-Juja Water and Sewerage Company Ltd transactions during the financial year ended June 30, 2019, and of Ruiru-Juja Water and Sewerage Company Ltd financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Ruiru-Juja Water and Sewerage Company Ltd, which have been relied upon in the preparation of Ruiru-Juja Water and Sewerage Company Ltd financial statements as well as the adequacy of the systems of internal financial control.

Approval of the financial statements

Ruiru-Juja Water and Sewerage Company Ltd financial statements were approved by the Board on 23/09 2019 and signed on its behalf by:

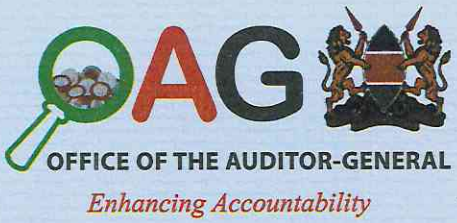
Director

Director

Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON RUIRU-JUJA WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Ruiru-Juja Water and Sewerage Company Limited set out on pages 13 to 41, which comprise the statement of financial position as at 30 June, 2019, 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, in all material respects, the financial position of Ruiru-Juja Water and Sewerage Company Limited as at 30 June, 2019, 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 Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

As disclosed under the progress on follow up of auditors' recommendations section of the financial statements, matters reported in the prior year remained unresolved as at 30 June, 2019.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Non-Revenue Water

During the year under review the company produced a total of 7,074,837 cubic meters of water. However, a volume of 4,720,687 cubic meters of the water was billed to customers and the balance of 2,354,150 cubic meters (or approximately 33.3% of total water produced) represented unaccounted for water (UFW) which was 8.3% above the allowable loss of 25% in accordance with the Water Services Regulatory Board (WASREB) guidelines. The unaccounted-for water represents lost sales estimated at Kshs.295,779,233. The significant level of unaccounted for water is an indication of inefficiency and lack of effectiveness in use of the resources by the Company and, may negatively impact on the Company's profitability and its ability to sustain services.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1.0 Corporate Governance

As disclosed under Key Entity Information section of the annual report attached to the financial statements, twelve Directors held office during the year under review. However, as reflected in the appointment letters, the Directors were appointed to act on behalf of

Kiambu County Water and Sewerage Company, which is a separate entity from Ruiru-Juja Water and Sewerage Company Limited.

In addition, Board Minutes and Attendance Registers were not provided to confirm that the Board of Ruiru-Juja Water and Sewerage Company Limited met during the year to approve the financial statements and/or conduct any other business of the Company which required the Board`s approval. This is contrary to Section 652(1) of the Companies Act, 2015, which requires that as soon as practicable after a Company's annual financial statements have been prepared, the directors shall approve the statements and arrange for one or more of them to sign it. No disclosure had been made in the financial statements in respect of these corporate governance matters.

2.0 IT Internal Controls

A review of the Company's information systems revealed that during the financial year, the Company had in place three IT applications, a billing software, a financial software and a human resource software to manage its operations. However, all the software had not been integrated. The Company's data had also not been adequately and appropriately backed up to mitigate against data loss in case of occurrence of disaster.

Further, the Company had not put in place an approved IT Policy for governance and management of its ICT resources. The company did not have an ICT Strategic Plan and an ICT Steering Committee in place to assist in development of ICT framework to enable it to realize long term ICT strategic goals. Without a sound and approved framework, users do not have any rules and procedures to follow in order to minimize risk of errors, fraud and loss of data confidentiality, integrity and availability.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;

(ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;

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

Responsibilities of Directors 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 and the requirements of the Companies Act, and for maintaining effective internal control as

Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Ruiru-Juja Water and Sewerage Company Limited to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of Ruiru-Juja Water and Sewerage Company Limited to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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

Nancy Gathungu
AUDITOR-GENERAL

Nairobi

17 August, 2021

VIII. STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2018/2019 Kshs	2017/2018 Kshs
REVENUES			
Sales	1	593,114,789	323,736,663
Grants -Amortised	2	1,361,921	1,513,245
Other Income	3	37,812,162	38,607,475
TOTAL REVENUES		**632,288,872**	**363,857,383**
OPERATING EXPENSES			
Administration Expenses	4	61,223,828	38,078,958
Staff Expenses	5	79,745,863	62,512,283
Board Expenses	6	260,000	185,900
Operational Expenses	7	397,482,778	175,858,653
Regulatory Expenses	8	33,305,026	20,701,396
Depreciation of property, plant and equipment	12	17,720,296	6,439,822
Amortisation of Intangible Assets	13	-	125,840
TOTAL OPERATING EXPENSES		**589,737,791**	**303,902,852**
OPERATING PROFIT	9	**42,551,081**	**59,954,531**
Finance Income	10	5,258,356	4,750,000
PROFIT/(LOSS) BEFORE TAXATION		**47,809,437**	**64,704,531**
INCOME TAX EXPENSE	11	**14,342,831**	**19,411,359**
PROFIT AFTER TAXATION		**33,466,606**	**45,293,172**

IX. STATEMENT OF FINANCIAL POSITION

	Note	2018/2019 Kshs	2017/2018 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	99,994,042	33,379,062
Intangible assets	13	-	-
Investment property			
Total Non-Current Assets		**99,994,042**	**33,379,062**
Current Assets			
Inventories	14	14,110,332	7,946,190
Trade and other receivables	15(a)	98,900,708	28,687,493
Short-term deposits	16	75,258,356	54,750,000
Bank and cash balances	17	52,841,862	140,216,373
Total Current Assets		**241,111,258**	**231,600,056**
TOTAL NON-CURRENT AND CURRENT ASSETS		**341,105,300**	**264,979,118**
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	18	40	40
Revaluation reserve	19	5,889,458	5,889,458
Retained earnings	20	176,497,410	143,030,804
Capital and Reserves		**182,386,908**	**148,920,302**
Non-Current Liabilities			
Deferred Grant Revenue	21	12,257,285	13,619,206
Total Non-Current Liabilities		**12,257,285**	**13,619,206**
Current Liabilities			
Trade and other payables	22	138,474,600	92,586,451
Tax Liability	23	7,986,507	9,853,159
Total Current Liabilities		**146,461,107**	**102,439,610**
TOTAL EQUITY AND LIABILITIES		**341,105,300**	**264,979,118**

The financial statements were approved by the Board on 23/09 2019 and signed on its behalf by:

Director General/C.E. O/M. D	Head of Finance	Director
Name: Simon Mwangi	Name: Mary. N. Mwangi	Name: Prof Bernard Njoroge
Sign:.....	Sign:.....	Sign.....
	ICPAK M/NO: 6346	

X. STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Revaluation reserve	Retained earnings	Total
At July 1, 2017	**40**	**5,889,458**	**97,737,632**	**103,627,130**
Transfer of excess depreciation on revaluation	-	-	-	-
Total comprehensive income	-	-	45,293,172	45,293,172
At June 30, 2018	**40**	**5,889,458**	**143,030,804**	**148,920,302**
At July 1, 2018	**40**	**5,889,458**	**143,030,804**	**148,920,302**
Total comprehensive income	-	-	33,466,606	33,466,606
At June 30, 2019	**40**	**5,889,458**	**176,497,410**	**182,386,908**

XI. STATEMENT OF CASH FLOWS

	Note	2018/2019 Kshs	2017/2018 Kshs
OPERATING ACTIVITIES			
Cash generated from operations	24(a)	28,420,248	96,995,664
Interest received	10	5,258,356	4,750,000
Taxation paid	23	(16,209,484)	(12,075,952)
Net cash generated from operating activities		**17,469,120**	**89,669,712**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12	(84,335,275)	(3,319,200)
Purchase of intangible asset	13	-	-
Net cash (used in) investing activities		**(84,335,275)**	**(3,319,200)**
FINANCING ACTIVITIES			
Net cash generated from/(used in) financing activities		**-**	**-**
INCREASE IN CASH AND CASH EQUIVALENTS		**(66,866,155)**	**86,350,512**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	24(b)	**194,966,373**	**108,615,861**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	24(b)	**128,100,218**	**194,966,373**

XII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference		
	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019		
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs		
Sale of Water	435,494,655	157,388,296	592,882,951	593,114,789	-231,838	-0.04%	
Grant –Amortised	-	-	-	1,361,921	-1,361,921	100.00%	Grant income not an inflow in 2018/19
Finance Income	3,000,000	2,000,000	5,000,000	5,258,356	-258,356	-5.17%	
Other income	30,000,000	35,000,000	35,000,000	37,812,162	-2,812,162	-8.03%	
Total income	**468,494,655**	**164,388,296**	**632,882,951**	637,547,228	-4,664,277	-0.74%	
Expenses					-		
Compensation of employees	108,678,686	2,700,002	111,378,688	79,745,863	31,632,825	28.40%	Planned recruitment not done in 2018/19
Finance cost	-	-	-	-	-		
Taxation	5,000,000	-	5,000,000	14,452,648	-9,452,648	-189.05%	Due to increase in profit
Administration Costs	53,635,251	9,000,001	62,635,252	60,857,773	1,777,479	2.84%	
Board Cost	2,700,000	-	2,700,000	260,000	2,440,000	90.37%	Only one meeting was held in 2018/2019
Maintenance Cost	90,000,000	222,388,295	312,388,295	309,746,683	2,641,612	0.85%	
Regulatory Expenses	24,838,832	-	24,838,832	33,305,026	-8,466,194	-34.08%	Increase in rate by WASREB i.e. 1% to 4%
Other Operating costs	105,457,140	-	105,457,140	87,736,095	17,721,045	16.80%	Chemicals cost lower than expected
Wear and Tear	-	-	8,000,000	17,720,296	-9,720,296	-121.50%	Due to major Sewer projects completed
Total expenditure	**390,309,909**	242,088,298	**632,398,207**	**603,824,384**	**28,573,823**	4.52%	
Surplus for the period	**78,184,746**	**-77,700,002**	**484,744**	**33,722,844**	**-33,238,100**		

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

XIII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying Ruiru-Juja Water and Sewerage Company Ltd accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx
The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Ruiru-Juja Water and Sewerage Company Ltd.

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

3. ADOPTION OF NEW AND REVISED STANDARDS

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

Amendments to IAS 16 and IAS 38 titled *Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014)*	1st Jan 2016	The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12	1st Jan 2017	The amendments clarify that: • Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. • The carrying amount of an asset does not limit the estimation of probable future taxable profits. • Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

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

iii) Early adoption of standards

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) **Revenue recognition**

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

i) **Revenue from the sale of goods and services** is recognised in the year in which Ruiru-Juja Water and Sewerage Company Ltd delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

ii) **Grants from National Government** are recognised in the year in which Ruiru-Juja Water and Sewerage Company Ltd actually receives such grants.

iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.

iv) **Other income** is recognised as it accrues.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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

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

d) Depreciation and impairment of property, plant and equipment

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

e) **Intangible assets**

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

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

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

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

g) **Inventories**

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

h) **Trade and other receivables**

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

i) **Taxation**
Current income tax

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Deferred tax

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

j) Cash and cash equivalents

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

k) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to Ruiru-Juja Water and Sewerage Company Ltd or not, less any payments made to the suppliers.

l) Retirement benefit obligations

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

m) Budget information

The original budget for FY 2018-2019 was approved by the Board of Directors.

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

n) Comparative figures

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

o) **Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made: e.g

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2018/2019 Kshs	2017/2018 Kshs
1	**SALES**		
	Sale of Water	593,114,789	323,736,663
		593,114,789	**323,736,663**
2	**GRANTS FROM NATIONAL GOVERNMENT**		
	Grant Revenue-Amortised	1,361,921	1,513,245
		1,361,921	**1,513,245**
3	**OTHER INCOME**		
	Other miscellaneous receipts	37,812,162	38,607,475
		37,812,162	**38,607,475**
4	**ADMINISTRATION EXPENSES**		
	Advertising Expenses	2,300,868	1,520,720
	General office Expenses	3,760,675	2,089,031
	Stationery & Printing	2,446,565	719,640
	Education and Training	5,833,622	4,115,906
	Provision for Bad debts	3,442,274	340,619
	Travel & Accommodation	12,274,237	7,053,208
	Telephone & Postage	1,538,525	893,870
	Audit & Professional fee	2,698,414	7,245,686
	Bank Charges	617,956	351,746
	I.T. Costs	1,603,373	3,275,786
	Electricity	319,675	154,075
	Security Expenses	1,437,936	501,120
	Environment Conservation	728,250	1,938,996
	Transport Expenses	15,266,243	5,717,933
	Repairs and Maintenance	4,851,826	393,570
	Insurance	851,949	457,331
	Subscriptions	255,600	314,806
	Protective clothing	995,840	994,915
		61,223,828	**38,078,958**

5	STAFF COSTS	2018/2019 Kshs	2017/2018 Kshs
	Salaries and allowances of employees	69,919,085	59,379,577
	Staff welfare	9,826,778	3,132,706
		79,745,863	**62,512,283**

6	BOARD EXPENSES	260,000	185,900
		260,000	**185,900**

7	OPERATIONAL EXPENSES		
	Chemicals	7,847,260	11,597,539
	Billings	1,174,000	968,520
	Water User Fees	3,077,657	9,968,403
	Electricity	67,159,802	41,550,902
	Security	4,862,674	4,338,400
	Maintenance of Water Systems	274,703,156	92,724,267
	Sewerage	35,043,527	14,382,611
	Water Quality	3,614,702	328,011
		397,482,778	**175,858,653**
8	**REGULATORY EXPENSES**		
	Administration Cost to AWSB	16,569,653	17,581,790
	Regulatory Fees to WASREB	16,735,373	3,119,606
		33,305,026	**20,701,396**
9	**OPERATING PROFIT**		
	The operating profit is arrived at after charging/(crediting):		
	Staff costs (note 5)	79,745,863	62,512,283
	Depreciation of property, plant and equipment	17,720,296	6,439,822
	Amortisation of intangible assets	-	125,840
	Provision for bad and doubtful debts	3,442,274	340,619
	Directors' emoluments - fees	260,000	185,900
	Auditors' remuneration - current year fees	350,000	350,000
10	**FINANCE INCOME**		
	Interest income on bank deposits	5,258,356	4,750,000
		5,258,356	**4,750,000**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018/2019 Kshs	2017/2018 Kshs
11 INCOME TAX EXPENSE/ (CREDIT)		
(a) Current taxation		
Current taxation based on the adjusted profit for the year at 30%	14,342,831	19,411,359
	14,342,831	**19,411,359**
(b) Reconciliation of tax expense/(credit) to the expected tax based on accounting profit		
Profit before taxation	47,809,437	64,704,531
Tax at the applicable tax rate of 30%	14,342,831	19,411,359
	33,466,606	**45,293,172**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 PROPERTY, PLANT AND EQUIPMENT

2019	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
COST OR VALUATION								
At July 1, 2018	-	**50,487,672**	**9,594,332**	**1,673,790**	**6,845,905**	**4,153,759**	-	**72,755,458**
Additions	-	54,156,195	16,826,625	10,796,900	1,425,900	1,129,655	-	84,335,275
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At June 30, 2019	-	**104,643,867**	**26,420,957**	**12,470,690**	**8,271,805**	**5,283,414**	-	**157,090,733**
DEPRECIATION								
At July 1, 2018	-	**26,420,307**	**4,174,799**	**1,673,790**	**4,949,676**	**2,157,824**	-	**39,376,396**
Charge for the year	-	9,094,573	2,642,096	2,699,225	2,754,511	529,891	-	17,720,296
Impairment loss	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-	-
At June 30, 2019	-	**35,514,880**	**6,816,895**	**4,373,015**	**7,704,187**	**2,687,715**	-	**57,096,692**
NET BOOK VALUE								
At June 30, 2019	-	**69,128,987**	**19,604,062**	**8,097,675**	**567,618**	**2,595,699**	-	**99,994,042**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

2018	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
COST OR VALUATION								
At July 1, 2017	-	50,487,672	9,594,332	1,673,790	4,337,205	3,343,259	-	69,436,258
Additions	-	-	-	-	2,508,700	810,500	-	3,319,200
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At June 30, 2018	-	**50,487,672**	**9,594,332**	**1,673,790**	**6,845,905**	**4,153,759**	-	**72,755,458**
DEPRECIATION								
At July 1, 2017	-	22,741,354	3,215,366	1,345,386	3,892,020	1,742,448	-	32,936,574
Charge for the year	-	3,678,953	959,433	328,404	1,057,656	415,376	-	6,439,822
Impairment loss	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-	-
At June 30, 2018	-	**26,420,307**	**4,174,799**	**1,673,790**	**4,949,676**	**2,157,824**	-	**39,376,396**
NET BOOK VALUE								
At June 30, 2018	-	**24,067,365**	**5,419,533**	-	**1,896,229**	**1,995,935**	-	**33,379,062**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2018/2019 Kshs	2017/2018 Kshs
13	**INTANGIBLE ASSETS**		
	COST		
	At July 1	376,768	376,768
	Additions	-	-
	Disposals	-	-
	At June 30	**376,768**	**376,768**
	AMORTISATION		
	At July 1	376,768	250,928
	Charge for the year	-	125,840
	Disposals	-	-
	Impairment loss	-	-
	At June 30	**376,768**	**376,768**
	NET BOOK VALUE		
	At June 30	-	-
14	**INVENTORIES**		
	Pipes & Fittings	8,196,569	7,149,737
	Chemicals	5,778,540	429,070
	Stationery and general stores	135,223	367,384
		14,110,332	**7,946,190**
15 (a)	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables (note 15 (b)	98,927,025	30,081,572
	Deposits, prepayments and staff debtors	4,920,034	110,000
	Gross trade and other receivables	103,847,059	30,191,572
	Other: Provision for bad and doubtful receivable	(4,946,351)	(1,504,079)
	Net trade and other receivables	**98,900,708**	**28,687,493**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018/2019 Kshs	2017/2018 Kshs
15 (b) TRADE RECEIVABLES		
Gross trade receivables	98,927,025	30,081,572
Provision for doubtful receivables	(4,946,351)	(1,504,079)
	93,980,674	**28,577,493**

16 SHORT TERM DEPOSITS		
Kenya Commercial Bank	53,795,890	-
Postbank	21,462,466	54,750,000
	75,258,356	**54,750,000**

17 BANK AND CASH BALANCES		
Cash at bank	52,801,824	140,195,173
Cash in hand	40,038	21,200
	52,841,862	**140,216,373**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Detailed analysis of the cash and cash equivalents

		2018-2019	2017-2018
Financial institution	**Account number**	**KShs**	**KShs**
a) **Current account**			
Kenya Commercial bank-Revenue		3,357,333	18,165,203
Kenya Commercial bank-Expenditure		10,403,970	45,818,723
Kenya Commercial bank		31,025,158	24,387,003
Barclays Bank-Revenue		1,137,873	28,083,867
Family Bank-Revenue		2,207,008	18,182,293
Postbank		4,670,482	5,558,083
Sub- total		52,801,824	140,195,173
b) **Fixed deposits account**			
Kenya Commercial bank		53,795,890	-
Postbank		21,462,466	54,750,000
Sub- total		75,258,356	54,750,000
c) **Others(specify)**			
Cash in hand		40,038	21,200
Sub- total		40,038	21,200
Grand total		128,100,218	194,966,373

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 REVALUATION RESERVE

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

20 RETAINED EARNINGS

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

21 DEFERRED GRANT REVENUE

	2018/2019 Kshs	2017/2018 Kshs
Deferred Grant Revenue	12,257,285	13,619,206
Balance at end of the year	**12,257,285**	**13,619,206**

22 TRADE AND OTHER PAYABLES

	2018/2019 Kshs	2017/2018 Kshs
Trade payables	42,024,290	26,202,068
Customer Overpayments	7,321,089	
Customer Refundable Deposits	89,129,221	66,384,383
	138,474,600	**92,586,451**

23 TAX LIABILITY

The movement on the tax liability account is as follows:

	2018/2019 Kshs	2017/2018 Kshs
Balance at beginning of the year	9,853,159	2,517,752
Payment	(16,209,483)	(12,075,952)
Credit	-	-
Provision for the year	14,342,831	19,411,359
Balance at end of the year	**7,986,507**	**9,853,159**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2018/2019 Kshs	2017/2018 Kshs
24	**NOTES TO THE STATEMENT OF CASH FLOWS**		
	(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
	Operating profit/(loss)	42,551,081	59,954,532
	Depreciation	17,720,296	6,439,822
	Amortisation	-	125,840
	Grant Revenue	(1,361,921)	(1,513,245)
	(Gain)/loss on disposal of property, plant and equipment	-	-
	Operating profit/(loss) before working capital changes	58,909,456	65,006,949
	(Increase) in inventories	(6,164,142)	(2,534,292)
	(Increase) in trade and other receivables	(70,213,215)	3,053,201
	Increase in trade and other payables	45,888,147	31,469,806
	Cash generated from/(used in) operations	28,420,248	96,995,664
	(b) Analysis of cash and cash equivalents		
	Short term deposits	75,258,356	54,750,000
	Cash at bank	52,801,824	140,195,173
	Cash in hand	40,038	21,200
	Balance at end of the year	128,100,218	194,966,373

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 RELATED PARTY DISCLOSURES

(a) County Government of Kiambu

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

	2018/2019 Kshs	2017/2018 Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from AWSB	12,257,285	13,619,206
Grants from County Government	-	-
Donations in kind	-	-
Total	**12,257,285**	**13,619,206**
b) Key management compensation		
Directors' emoluments	260,000	185,900
Compensation to the CEO	843,720	2,897,674
Compensation to key management	8,434,945	6,842,976
Total	**9,538,665**	**9,926,550**

26 FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

27 FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2019				
Trade Receivables	98,900,708	98,900,708	-	-
Other Receivables	-	-	-	-
Cash and Bank balances	128,100,218	128,100,218	-	-
Total	**227,000,926**	**227,000,926**	-	-
At 30 June 2018				
Trade Receivables	28,577,493	28,577,493	-	-
Other Receivables	110,000	110,000	-	-
Cash and Bank balances	194,966,373	194,966,373	-	-
Total	**223,653,866**	**223,653,866**	-	-

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

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

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

ii) Liquidity risk management

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

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

28 FINANCIAL RISK MANAGEMENT (Continued)

ii) Liquidity risk management (Continued)

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2019				
Trade Payables	-	49,345,379	-	49,345,379
Tax Liability	-	7,986,506	-	7,986,506
Refundable Customer Deposits			89,129,221	89,129,221
Total	**-**	**57,331,885**	**89,129,221**	**146,461,106**
At 30 June 2018				
Trade Payables	-	26,202,068	-	26,202,068
Tax Liability	-	9,853,159	-	9,853,159
Refundable Customer Deposits			66,384,383	66,384,383
Total	**-**	**36,055,227**	**66,384,383**	**102,439,610**

(iii) Market risk

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

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

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

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
4.1	Presentation and completeness of Financial Statements	The Financial statements have been revised	Mary Karogo-Finance Manager	Resolved	
4.2	Trade Receivables	Customers with overpayments have been reclassified to correct the overstatements	Mary Karogo-Finance Manager	Resolved	
4.3a	Board Expenses	Signed Lists of board allowance have been provided	Mary Karogo-Finance Manager	Resolved	
4.3b	Corporate Governance	Minutes and associated correspondence to be availed by Company Secretary	Josephine Muritu	Not Resolved	26th August 2020
4.4	Non-Revenue Water	Management working on reduction of non-revenue water to acceptable level	Mary Mwangi-Technical Manager	Not Resolved	Financial Year 2020/2021
4.5	IT Controls	The Company is in process of developing IT policy	Allan Ngugi-ICT Director, Kiambu County Water & Sewerage Co Ltd	Not Resolved	Year 2020/2021

Managing Director

Date 26/08/2020

Chairman of the Board

Date 26/08/2020