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## REPORT

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**THE AUDITOR-GENERAL**

**ON**

**OLOOLAISER WATER AND SEWERAGE  
COMPANY LIMITED**

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

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
MACHAKOS HUB.  
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Oolaiser Water

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*OLOOLAISER WATER AND SEWERAGE COMPANY LIMITED*

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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



**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

<b>Table of Contents</b>	<b>Page</b>
1. Acronyms and Glossary of Terms.....	iv
2. Key Entity Information.....	v-vi
3. The Board of Directors.....	vii-viii
4. Key Management Team .....	ix-x
5. Chairman’s Statement .....	xi
6. Report Of the Managing Director .....	xii
7. Statement Of Performance Against Predetermined Objectives for FY 2022/2023 .....	xiii-xv
8. Corporate Governance Statement.....	xvi
9. Management Discussion and Analysis.....	xvi-xvii
10. Environmental And Sustainability Reporting .....	xvii-xviii
11. Report Of the Directors .....	xix
12. Statement Of Directors’ Responsibilities.....	xx-xxi
13. Report Of the Independent Auditors .....	xxii
14. Statement of Profit or Loss and Other Comprehensive income for the year ended 30 <sup>th</sup> June 2023 .....	1
15. Statement Of Financial Position As at 30 June 2023 .....	2
16. Statement Of Changes In Equity For The Year Ended 30 June 2023.....	3
17. Statement Of Cash Flows for The Year Ended 30 June 2023.....	4
18. Statement Of Comparison of Budget & Actual Amounts for The Year Ended 30 June 2023 .....	5-6
19. Notes To the Financial Statements.....	7-34

**1 Acronyms and Glossary of Terms**

<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MD</i>	<i>Managing Director</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>
<i>CECM</i>	<i>County Executive Committee Member</i>
<i>DTF</i>	<i>Decentralized Treatment Facility</i>
<i>NRW</i>	<i>Non-Revenue Water</i>
<i>NSTWSP</i>	<i>Nairobi Satellite Towns Water and Sanitation Project</i>

## **2. Key Entity Information**

### **Background information**

Oloolaiser Water and Sewerage Company Limited was established under the Company's Act (CAP.486) on the Thirtieth day of June Two Thousand and Six. At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kajiado County, Kenya.

### **Principal Activities**

The principal activity of Oloolaiser Water and Sewerage Company Limited is to provide safe, affordable and reliable water services to customers.

### **Vision**

To be the industry leader and water services provider of choice.

### **Mission**

To provide safe, affordable and reliable water and sewerage services to our customers using environmentally sound technologies for social-economic development.

### **Core Values**

Integrity, Team work, Customer Focus, Professionalism, creativity and innovativeness.

### **Directors**

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

- |    |                        |   |                                  |
|----|------------------------|---|----------------------------------|
| 1. | Julius Ries Kaakua     | - Chairman                                      | - Appointed on .....June 2021    |
| 2. | Dr. Daniel Salau Rogei | - Board secretary                               | - Appointed on .... ..March 2023 |
| 3. | Patrick Githaiga       | - Member  | - Appointed on .....June 2021    |
| 4. | Meshack Ngare          | - Member  | - Appointed on.....June 2021     |
| 5. | Purity Simaloi         | - Member  | - Appointed on.....June 2021     |
| 6. | Joan Metian            | - Member  | - Appointed on.....June 2021     |
| 7. | Dr. Leina Mpoke        | - CECM Water, Environment and Natural Resources |                                  |
| 8. | Kerika ole Ndere       | - Director Accounting Services                  |                                  |

### **Corporate Secretary**

Wanjau and Wanjao Advocates  
P.O. Box 15382-00100  
Nairobi

### **Registered Office**

Oloolaiser Water Plaza  
Gataka Road, Ongata Rongai  
P.O. Box 333 – 00206  
Kiserian.

**Corporate Headquarters**

P.O. BOX.333-00206  
Oloolaiser Water Plaza  
Gataka Road  
Ongata Rongai.

**Corporate Contacts**

Telephone: (+254)724310714  
(+254)202012075  
(+254)780310714  
E-mail: [info@oloolaiserwatercompany.co.ke](mailto:info@oloolaiserwatercompany.co.ke)  
Website: [www.oloolaiserwatercompany.co.ke](http://www.oloolaiserwatercompany.co.ke)

**Corporate Bankers**

Kenya Commercial Bank  
Ongata Rongai  
Private Bag  
**Ongata Rongai**

**Equity Bank Ltd**

Ongata Rongai  
P.O. Box 281-00511  
Ongata Rongai.





**Independent Auditors**

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

**Principal Legal Advisers**

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

**3. The Board of Directors**

Ref	Directors	Details
1.		<ol style="list-style-type: none"> <li>1. Name: Julius Ries Kaakua</li> <li>2. Position: Chairman of Board</li> <li>3. DoB: 1974</li> <li>4. Qualification: Bachelor in Law, Post graduate diploma in law</li> <li>5. Work Experience: Has vast experience in litigation having practised law for over 20 years</li> </ol>
2.		<ol style="list-style-type: none"> <li>1. Name: Patrick Githaiga</li> <li>2. Position: Vice Chairman of Board</li> <li>3. DoB: 1991</li> <li>4. Qualification: Bachelor of Business Information Technology, MSC Information Technology, MBA - Marketing</li> <li>5. Work Experience: Has vast knowledge in Information and Communication Technology.</li> </ol>
3.		<ol style="list-style-type: none"> <li>1. Name: Meshack Ngare</li> <li>2. Position: Chairman Audit &amp; Risk Management Board Committee</li> <li>3. DoB: 1955</li> <li>4. Qualification: MSC in Business Administration (Finance and Accounting), Diploma in Business Administration, CPA 1</li> <li>5. Work Experience: Over Twenty-four (24) years working in private and public sectors as tax consultant.</li> </ol>
4.		<ol style="list-style-type: none"> <li>1. Name: Joan Metian Pertet FCCA</li> <li>2. Position: Chair Technical Board Committee</li> <li>3. DoB: 1987</li> <li>4. Qualification: MBA in Business administration, Bachelor's degree in Finance and Accounting and Fellow Association of Chartered Certified Accountants.</li> <li>5. Work Experience: Has vast experience in finance and administration in both large corporate and medium sized enterprises.</li> </ol>

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

5.		<ol style="list-style-type: none"> <li>1. Name: Purity Simaloi</li> <li>2. Position: Chair Finance Board Committee</li> <li>3. DoB: 1993</li> <li>4. Qualification: Bachelor’s degree in commerce – Finance, Diploma in Business Administration</li> <li>5. Work Experience: Has vast experience in finance and administration</li> </ol>
6.		<ol style="list-style-type: none"> <li>1. Name: Dr. Leina Mpoke</li> <li>2. Position: Member (CECM – Water, Environment, Natural Resources and Climate change)</li> <li>3. DoB: 1956</li> <li>4. Qualification: PhD</li> <li>5. Work Experience: Has vast experience in finance and administration</li> </ol>
7.		<ol style="list-style-type: none"> <li>1. Name: Kerika Ole Ndere</li> <li>2. Position: Member (Director Accounting Services - Kajiado County)</li> <li>3. DoB: 1956</li> <li>4. Qualification: MBA-Finance, Bachelor of Commerce, CPA-K</li> <li>5. Work Experience: Has vast experience in finance and accounting in private and public sector.</li> </ol>
8.		<ol style="list-style-type: none"> <li>1. Name: Dr. Daniel Salau Rogei</li> <li>2. Position: Managing Director</li> <li>3. DoB: 1977</li> <li>4. Qualification: PhD – Social Anthropology, MSC Environment and Climate Change</li> <li>5. Work Experience. Has vast experience in environment, natural resource management and business management, finance and administration</li> </ol>

**4. Key Management Team**

	<ol style="list-style-type: none"> <li>1. Name: Dr. Daniel Salau Rogei</li> <li>2. Position: Managing Director</li> <li>3. Academic Qualification: Work Experience. Has vast experience in environment, natural resource management and business management, finance and administration</li> </ol>
	<ol style="list-style-type: none"> <li>1. Name: Antony Muriuki</li> <li>2. Position: Finance Manager</li> <li>3. Academic Qualification: BBM (Finance and Banking), Member of ICPAK</li> </ol>
	<ol style="list-style-type: none"> <li>1. Name: Wilson Munguti</li> <li>2. Position: Technical Manager</li> <li>3. Academic Qualification: Diploma in water engineering, currently pursuing degree, BCom in Operations Management.</li> </ol>
	<ol style="list-style-type: none"> <li>1. Name: Solomon Saruni</li> <li>2. Position: Commercial Manager</li> <li>3. Academic Qualification: BA (Economics and Statistics)</li> </ol>
	<ol style="list-style-type: none"> <li>1. Name: Faith Lekato</li> <li>2. Position: Human Resource and Administration Manager.</li> <li>3. Academic Qualification: BBM (Human Resource Management), Diploma (Personnel Management), Member of IHRM</li> </ol>
	<ol style="list-style-type: none"> <li>1. Name: Phineas Simiyu</li> <li>2. Position: Ag. Procurement Officer</li> <li>3. Academic Qualification: Diploma in Purchasing and Supplies Chain Management</li> </ol>

**Oololaiser Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2023**



1. Name: Regina Mutunga
2. Position: Internal Auditor
3. Academic Qualification: K.A.T.C FINAL, C.P.A (K) and a Member of ICPAK.

## **5. CHAIRMAN'S STATEMENT**

It is with great pleasure that I present the annual Report and Financial Statements for the year ended June 30, 2023 on behalf of the Board. Despite the numerous difficulties encountered, the Directors, Management, and employees have been instrumental in meeting the needs for water services within our area of jurisdiction.

The company's goal is to offer water and waste water services that are competitively priced, socially responsible, ecologically friendly, and attentive to client needs and expectations, this is a significant challenge in and of itself.

Water shortages caused by pipeline coverage limitations, ageing and deteriorated infrastructure, and water losses with high operation and maintenance expenses that outweigh revenue generation have been difficulties we have had to deal with. Some of these issues have been resolved with the help of locally generated funds and the Kenyan Government's Ministry of Water and Irrigation and its agencies, such as the Athi Water Works Development Agencies and the County Government of Kajiado.

Customer confidence and satisfaction have greatly increased as a result of the ongoing development of its pipe network and facilities to meet the rising demand. We have stepped up the execution of system expansion, reinforcement, and upgrade projects throughout the year in an effort to increase water supply reliability, decrease system losses, and create capacity for further customer connections and service coverage expansion. In order to assure ongoing growth, the Company Board of Directors and management are currently concentrating on executing new projects.

Given the accelerated urbanisation in our service region, it is obvious that the present and the future will both provide difficult challenges. Since problems are unavoidable, the Board is dedicated to insisting on good governance. In order to overcome present and future obstacles and realise its objective of "Being the Industry Leader and Water Services Provider of Choice," the Board will continue to transform the Company into a dynamic, proactive, and customer-focused organisation.

Finally, I would like to take this opportunity to sincerely thank all of our shareholders, our esteemed clients, my fellow directors, the management team, our staff, the Government of Kenya, our investment partners, and our esteemed suppliers for their ongoing support, which has helped us fulfil our mission as a provider of water services.

Thank you



Julius R. Kaakua

**Chairman-Board of Directors.**

## **6. STATEMENT OF THE MANAGING DIRECTOR**

"To understand and deliver on the needs of our customers, our partners, and stakeholders" has been Oloolaiser Water and Sewerage Company Limited's overarching goal. We continue to conceptualise and implement programmes targeted at increasing our service delivery, efficiency, and customer convenience in keeping with our vision "To be the industry leader and water services provider of choice." Our strategic goal is to be the water service provider of choice. Water is a major factor in social and economic growth. During the year under review, the Company concentrated on distributing water based on demand, despite insufficient supply, while still assuring accessibility to all. This increased service dependability and boosted customer service.

The financial year 2022–2023, in particular, has been challenging due to high costs, notably for some operating expenditures, the adverse effects of the drought were evident in the third quarter leading to the suspension of water production operations at the surface sources like Kiserian Dam and Mbagathi River Treatment Works. The challenges of high non-revenue water levels continue to persist, even though the levels reduced from an average of 40% in the year 2021–2022 to 35% in the year under review, 2022–2023. Physical water losses have been exacerbated by issues associated with ageing, deteriorating reticulation systems, bad designs combined with incorrect pipe sizing, and poor quality materials. There have also been instances of illegal reconnections, meter by passes, defective consumer meters, incorrect meter placing, inefficient meters, and water theft.

To mitigate against this, the company has created and put into place an aggressive meter testing programme, meter relocations, meter positioning to within one metre of the consumer premises boundary, meter calibration, replacement of pipe sections and spaghetti pipe networks, pressure management and staff training.

The Company has further sources the services of Kenya Police through deployment of two police officers to assist in the investigations and prosecution of water theft. Additionally, the company has set up and outfitted a non-revenue department, and it is predicted that as long as strategic activities are implemented, the non-revenue water level would gradually drop to the sector benchmarks for the industry that is considered acceptable.

To continue moving in the direction of business growth and to support the social and economic transformation of the coverage area, we will continue to put an emphasis on growing the supply network, the customer base, higher sales, higher supply quality, and prudent management.



**Dr. Daniel Salau Rogei**  
**Managing Director**

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**7. Statement of performance against predetermined objectives for FY 2022/2023**

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County government entity's performance against predetermined objectives.

Oloolaiser Water and Sewerage Company Limited has 6 strategic pillars and objectives within its Strategic Plan (which is in development process) covering the next five years. These strategic pillars are as follows:

- Pillar 1: Water and sewerage infrastructure
- Pillar 2: Non-revenue water
- Pillar 3: Customer service
- Pillar 4: Operational efficiency
- Pillar 5: Financial sustainability
- Pillar 6: Institutional capacity

*Oloolaiser Water and Sewerage Company Limited* develops its annual work plans based on the above 6 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. Oloolaiser Water and Sewerage Company Limited achieved its performance targets set for the FY 2022/2023 period for its 6 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Water and Sewerage Infrastructure	1. To increase amount of water available for distribution from 8,000m <sup>3</sup> per day in 2022 to 18,000m <sup>3</sup> per day by 2027	Increased in quantity of water produced Increase in population served Increase in water production sources	Development of 20no. additional boreholes to provide 5000m <sup>3</sup> Additional 5000m <sup>3</sup> bulk supply from the Nairobi	20no boreholes drilled with anticipated equipping and commissioning in 2024 Infrastructure the bulk supply complete, anticipated commissioning 2024
	2. Ensure compliance with water quality standards	Water quality analysis report Tests conformity results	Weekly sampling and analysis Water Treatment processes	Sampling and analysis ongoing Conventional treatment undertaken at treatment works
	3. Increase total population served from 56% in 2022 to 75% by 2027.	Increased service area Increased consumer connections	Prioritized expansion of water supply network to unserved area Enhance access of water in LIAs	Ongoing construction of additional water sources Ongoing augmentation of supply network

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

	4. Enhance waste management	Consumer sewerage connections  Number of exhaustion to the Decentralised Treatment Facility	Design and Construct waterborne sewerage system by 2027  Operationalization of DTF	Designs for Sewerage System done  Rehabilitation works ongoing
Pillar 2: Non-Revenue Water	Reduce non-revenue water from 39% in 2023 to 22% in 2027	Non-Revenue Water level below sector benchmark	Reconstruction of 205kms of pipeline within Ongata Rongai and Kiserian areas by December 2023 under NST-WSDP  Establish and institutionalize a NRW unit  Enhance meter efficacy by progressive installation of smart meters	Reconstruction works estimated at 85% complete and ongoing  Appointed Non-Revenue Water Manager and team  Invited presentations from various institution  Benchmarking with other WSPs who have implemented smart metering.
Pillar 3: Customer Service	Increase customer satisfaction index from 75% in 2023 to 85% in 2027	Improved customer satisfaction	Streamline new connection process, Ensure adherence to service charter timelines	Training of customer service team which has improved customer relationship. Appointed a public relations officer and head of customer care personnel.
Pillar 4: Operational Efficiency	Enhance operational efficiency	Reduction of costs, Improved use of ICT	Use of solar power in pumping, Provision of adequate office space	Construction of an office block completed.

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

<p>Pillar 5: Financial Sustainability</p>	<ol style="list-style-type: none"> <li>1. Increase annual revenue from 163.7m in 2023 to 621m in 2027</li> <li>2. Increase collection efficiency from 96% in 2023 to 98% in 2027</li> </ol>	<p>Increase in active connections,</p> <p>Improved revenue collection</p>	<p>Activation of inactive accounts Commercialization of DTF</p> <p>Enhance accurate and timely billing, Enhance debt management.</p>	<p>DTF operationalized</p> <p>Developed a debt management policy and formed a revenue collection team to deal with current and old debts.</p>
<p>Pillar 6: Institutional Capacity</p>	<ol style="list-style-type: none"> <li>1. To attract and retain skilled, motivated and productive staff</li> </ol>	<p>Reduction on staff turnover, increased staff motivation</p>	<p>Review the organization structure, scheme of service and grading structure</p> <p>Enhance staff management</p>	<p>Developed a scheme of service</p> <p>Improved staff management through performance contracting</p>

## **8. Corporate Governance Statement**

The Board of Directors is unwaveringly committed to making sure that, as a public service institution, the Company's choices are informed by the fundamental principles outlined in the code of conduct. The Board of Directors views corporate governance as crucial to the Company's performance. As a result, the Board of Directors and the appointed Board Committees routinely assess the quality of service in order to consistently carry out our mandate and maintain a sustainable and viable institution. Due to budgetary difficulties, the Board was not taken for corporate governance training during the financial year. It is predicted that the following financial term will be favourable for such an accomplishment.

The Company's board consists of three committees namely: -

- i) Finance and Administration- Three (3) Members
- ii) Business and strategic – Three (3) Members
- iii) Audit and risk Management- Three (3) Members.

The Board of Directors that served in 2022/2023 was chosen through a competitive hiring process, and the appointments were confirmed at the Company's annual general meeting held during the prior fiscal year.

## **9. Management Discussion and Analysis**

During the year, the Company's operations were adversely affected by reduced production of water which was brought about by the persistent drought experienced in the country and more specifically the County of Kajiado, which led to the Company operating below its optimum capacity and closure of the Kiserian Dam and reduced operation hours at Mbagathi Treatment Works in the third quarter. This adversely affected revenue generation and collection.

The Dilapidated water supply infrastructure, that is sources, treatment works, storage, pipelines and consumer meters had both lead to high costs of operation and maintenance and high levels of Non-Revenue Water at 35% being above the sector benchmark.

Currently the Company through technical and financial support from Athi Water Works Development Agency is implementing a comprehensive construction of additional water sources and pipe networks under the Nairobi Satellite Towns Water and Sanitation Programme, which is objected to ensure financial and operational sustainability of the Company.

The project is anticipated to increase the water source capacity by an estimated 10,260 cubic meters per day, reduce Non-Revenue Water to below 25% and expand the consumption base. Additional institutional improvements and enhancements include; construction of corporate office, procurement of equipment, procurement of an Enterprise Resource Planning and staff training on key business operation areas.

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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Through the County Government of Kajiado and Athi Water Works Development Agency the Company has undertaken a viability study towards solarisation of all of its production sites which is anticipated to reduce cost of production significantly.

After implementation of the said strategies the Company's revenues are anticipated to be enhanced to an estimated Kshs 500 million by June 2025 and hence turnaround the utility to profit making.

**10. Environmental and sustainability reporting**

*Life transformation is the purpose of Oloolaiser Water and Sewerage Company Limited. This is the reason behind all we do; it is our purpose. It is what directs us in executing our plan, prioritising the client/citizen, providing pertinent products and services, and enhancing operational excellence. The organization's sustainability-related policies and initiatives are outlined below.*

**i) Sustainability strategy and profile -**

The Company is in the process of reviewing its five-year strategic plan for the period 2023 to 2028 which is geared towards improving services given. In the plan are strategic themes and strategic objectives aimed at the mitigating and/or reducing some of the negative factors like non-revenue water, dilapidated pipeline and also reduce other inefficiencies through employing technology in billing, revenue collection and customer service to improve on accuracy and response to customer enquiries and complains. The Company is also working on increasing amount of water source capacity and in effect more water available for distribution to our customers by bulk water importation and development of additional boreholes under the Nairobi Satellite Towns Programme. This is a flagship project for the utility as it is a sustainable pillar for assured turnaround in the immediate and mid-term horizon.

**ii) Environmental performance**

In line with the President's tree planting initiative to plant 15 billion trees by 2032. The Company was engaged planting trees in Ngong Forest, administrative offices and schools within Kajiado North. The adhered to National Environmental Management Authority guidelines in regard to discharge of waste water and disposal of harmful and hazardous products.

**iii) Employee welfare**

The Company has a human resource manual which guides in the handling of issues relating to staff. It recruits its staff based on merit giving consideration to gender, regional, age and ethnic balance. It endeavours to retain, reward and develop the best talent to help it achieve its goal. Further, it continually seeks to improve its employees through structured programs for personal and professional development. This is usually informed by the appraisal system which is conducted biannually. The Company has a staff advisory and a safety committee in place to deal with staff matters and safety of staff at work respectively

**iv) Market Place Practices**

**a) Responsible Competition Practice**

Water Services Regulatory Board (WASREB) is mandated in regulating the pricing through a tariff, operating area on which the Company should operate within through licensing. The Company is responsible in making sure it adheres to the conditions of the set by the regulator

**b) Responsible Supply Chain and Supplier Relations**

The Company makes sure that all its procurement is guided by the Public Procurement and Assets Disposal act and regulations. Through encouraging fair competition and openness in all its procurement.

**c) Product Stewardship**

Core mandate of the Company is to supply safe and adequate water to citizens within its area of jurisdiction. This is met through making sure that quality of water distributed to customers is treated and quality tested at the source and consumption points to make sure it meets the set standards.

**d) Corporate Social Responsibility / Community Engagements**

The Company endeavours to improve the wellbeing of the stakeholders and members of the society in its area of operations. This is done through coming up with projects, giving material and cash geared towards improving the welfare of the community.

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**11. Report of the Directors**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the company's affairs.

**i) Principal activities**

The principal activities of the Company are to provide safe and reliable water services to customers.

**ii) Results**

The results of the company for the year ended June 30, 2023 are set out on pages 1-6

**iii) Dividends**

The company has not declared dividends for the year ended June 30, 2023 due to financial constraints.


**iv) Directors**

The members of the Board of Directors who served during the year are shown on page vii-viii in accordance with Regulation 58 of *Oloolaiser Water and Sewerage Company limited* Articles of Association

**v) Auditors**

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

By Order of the Board

Name..... GEORGE RIES KAAKUA  
Signature.....   
Date..... 29/02/2024.....

**BOARD CHAIRMAN**

## **12. Statement of Directors' Responsibilities**

Section 164 of the Public Finance Management Act, 2012, companies Act 2015, and section 208 of the Public Finance Management County regulations act require the Directors to prepare financial statements in respect of Oololaiser Water and Sewerage Company Limited, which give a true and fair view of the state of affairs of the Company at the end of the financial year 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, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors 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, 2023, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

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 financial statements were approved by the Board on 20/07/2023 2023 and signed on its behalf by:

Signature.....

Name **Juliuc Kaakua**  
Chairperson of the Board

Signature.....

Name **Dr. Daniel Salau Rogei**  
Managing Director

# REPUBLIC OF KENYA

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*Enhancing Accountability*

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Monrovia Street  
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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON OLOOLAISER WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023**

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### PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the 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.

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### **Qualified Opinion**

I have audited the accompanying financial statements of Oloolaiser Water and Sewerage Company Limited set out on pages 1 to 34, which comprise of the statement of financial position as at 30 June, 2023 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of

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*Report of the Auditor-General on Oloolaiser Water and Sewerage Company Limited for the year ended 30 June, 2023*

comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Oololaiser Water and Sewerage Company Limited as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 and the Water Act, 2016.

## **Basis for Qualified Opinion**

### **1. Receivables and Provision for Doubtful Debts**

The statement of financial position reflects trade and other debtors balance of Kshs.114,310,942 as disclosed in Note 18 to the financial statements. The balance is net of provisions for doubtful debts of Kshs.18,865,419. Review of the gross trade receivables of Kshs.132,359,418 revealed that receivables amounting to Kshs.115,933,684 were more than 120 days old casting doubts on the adequacy of the provisions. The Company has also not put in place effective and reliable debt collection systems, rendering the recoverability of the debt to be doubtful. Further, the Company made provision for doubtful debts of Kshs.18,865,419 constantly over a number of years despite the fluctuations in the trade and other debtors balances. The Company's finance manual does not include thresholds for calculation of provision for doubtful debts.

In the circumstances, the accuracy and fair statement of trade and other debtors balance of Kshs.114,310,942 could not be confirmed.

### **2. Customer Deposits**

The statement of financial position reflects customer deposit balance of Kshs.370,418 as disclosed in Note 20 to the financial statements. The money is refundable on demand for those terminating their service contracts with the Company without any outstanding bill. However, as at the end of the financial year 2022/2023, cash balance held in the bank account for the deposits was Kshs.324,588 and not the Kshs.370,418 reported under deposits liability resulting into variance of Kshs.45,830. Further, the audit revealed that the Company had cumulatively borrowed funds totalling Kshs.19,624,450 from the deposits account for operations.

In the circumstances, the accuracy and completeness of customer deposit balance of Kshs.370,418 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Oololaiser Water and Sewerage 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 qualified opinion.

## **Emphasis of Matter**

### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.271,248,176 and Kshs.135,488,333 respectively resulting to an under performance of Kshs.135,759,843 or 50% of the budget. Similarly, the statement reflects final expenditure budget and actual on a comparable basis of Kshs.252,731,287 and Kshs.169,070,607 respectively resulting to an under expenditure of Kshs.83,660,680 or 33% of the budget.

The underperformance and under expenditure affected the planned activities and programs and negatively impacted on service delivery to the residents of Kajiado.

### **2. Material Uncertainty Relating to Going Concern**

The statement of profit or loss and other comprehensive income reflects that the Company recorded a net operating loss of Kshs.33,582,274 (2021/2022 Kshs.9,582,066) thus depleting further the revenue reserves from negative Kshs.172,020,617 as at 30 June, 2022 to negative Kshs.205,602,891 as at 30 June, 2023. Further, the current liabilities balance of Kshs.322,553,775 exceeded the current assets balance of Kshs.114,696,434 resulting into negative working capital of Kshs.207,857,341 indicating that the Company is technically insolvent. In addition, trade and other payables increased by Kshs.40,879,146 from Kshs.230,432,707 in the previous year to Kshs.271,311,853 indicating the Company's inability to pay its creditors in time.

In the circumstances, the Company's ability to sustain its operations and deliver services to the targeted community in the foreseeable future could not be confirmed.

### **3. Trade and Other Payables**

The statement of financial position reflects trade and payables balance of Kshs.271,311,853 as disclosed in Note 19 to the financial statements . Included in the balance are long outstanding balances totalling Kshs.167,403,092 as detailed in the table below:

<b>Creditors</b>	<b>Balances (Kshs.)</b>
Central Provident Fund (CPF)/ Laptrust	79,806,454
Paymaster General (PAYE)	11,124,430
NHIF	2,531,159
Commissioner of Income Tax	2,214,980
KRA withholding Tax	1,063,334

<b>Creditors</b>	<b>Balances (Kshs.)</b>
NSSF	1,551,560
NTA	297,070
Accrued Net Salaries	25,102,810
Non- Statutory Deductions	15,596,405
Auditor- General	2,030,000
Loan from Deposit Account	19,624,450
WARMA	6,460,440
<b>Total</b>	<b>167,403,092</b>

The long outstanding debts may expose the Company to the risk of litigations and interest penalties.

My opinion is not modified in respect of these matters.

### **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. There were no key audit matters to report in the year under review.

### **Other Matter**

#### **Unresolved Prior Year Matters**

In the report for the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board template.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matters described in the Report on Lawfulness and Effectiveness in Use of Public Resources, 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. Excessive Non-Revenue Water**

The Company records indicated water production of 1,643,799 cubic meters (M<sup>3</sup>) of water out of which only 1,065,353 M<sup>3</sup> were billed to customers. The balance of 578,446 M<sup>3</sup> or

appropriately 35% of total production represents Non-Revenue Water (NRW). The NRW for the Company exceeds the allowable loss of 25% by 10% contrary to the Water Services Regulatory Board guidelines.

In the circumstances, the loss affected the Company's profitability and sustainability of services to its customers.

## **2. Non-Adherence to Fiscal Responsibility Principles on Employee Costs**

The statement of profit or loss and other comprehensive income reflects staff expenses totalling Kshs.93,685,759 and total revenue of Kshs.135,488,333. Thus, staff costs represent 69% of the total revenue, which exceeds 35% threshold set by Regulation 25(1)(b) of Public Financial Management (County Governments) Regulations, 2015.

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

## **3. Irregularities in Human Resource Management**

The statement of profit or loss and other comprehensive income reflects staff expenses of Kshs.93,685,759, which includes Kshs.87,000 paid as acting allowance to an employee who has been acting for 8 months contrary to the requirements of the part C.14 of the Public Service Commission Human Resource Policies of 2016 which limits the duration to 6 months. Further, the amount includes casual wages of Kshs.1,638,895 paid to casual employees who were engaged for more than the stipulated three (3) months.

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

## **4. Delay in Completion of Rehabilitation of Kimuka Water Project**

The statement of financial position reflects property, plant and equipment balance of Kshs.22,161,095 as disclosed in Note 15 to the financial statements. Included in this amount is Kshs.15,986,562 in respect to work in progress. The Company signed contract on 30 July, 2021 with a construction company for the rehabilitation of Kimuka Water Project at a contract sum of Kshs.17,947,325. The project was to commence on 16 August, 2021 for duration of three (3) months, with an expected completion date of 15 November, 2021. Audit inspection during the month of January, 2024 revealed that the works had not been completed yet the contract period had lapsed. Further, there was no evidence on whether the contractor had sought for extension and the same granted.

In the circumstances, delayed completion of the project has denied Kajiado residents benefits that would accrue from the water project.

## **5. Failure to File Annual Returns with the Registrar of Companies**

Review of the Company's records revealed that it was incorporated in 2006. However, the Management did not provide evidence of filed annual returns with the registrar of Companies as is provided for by the law. No explanation was given for failure to file returns.

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

## **6. Company Ownership**

The statement of financial position reflects share capital of Kshs.100,000 as disclosed in Note 17 (a) to the financial statements . The Company has five thousand (5000) ordinary shares of Kshs.20 par value. The share certificates and details of payments for the shares in support of ownership were however not provided for audit review.

In the circumstances, the ownership status of the Water Company could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015 and 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, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **1. Excessive Electricity Costs**

The statement of profit or loss and other comprehensive income reflects general and operational expenses of Kshs.64,164,744 as disclosed in Note 10 to the financial statements. The expenditure includes power costs of Kshs.32,386,322 representing 50% of the total operating expenses indicative of funds availability for other programs of only 50% of the total operational costs.

The high-power costs may have impacted negatively on the profitability and sustainability of the services by the Company.

#### **2. Lack of IT Security Policy**

Review of the IT internal control systems for the Water Company revealed that the entity did not have an IT Policy in place, which would ensure data confidentiality, accuracy, reliability, integrity and availability to the entity.

In the circumstances, lack of IT Policy may affect the effectiveness of the operations of the entity's business processes on delivery of services to the public in an effective and efficient manner.

### **3. Staff Medical Expenses**

The statement of profit or loss and other comprehensive income reflects staff expenses amounting to Kshs.93,685,759 which includes staff medical expenses of Kshs.1,166,185 as disclosed in Note 9 to the financial statements. However, the Company did not have a policy on medical cover for the employees and there was no guidance on how the medical vote was run, including hospitals appointed and exceptions on medical services to be received.

In the circumstances, internal controls for the management of staff medical expenses were weak.

### **4. Poor Revenue Management**

The statement of profit or loss and other comprehensive income and Note 6 to the financial statements reflects total operating income amount of Kshs.121,185,406 which includes water sales amounting to Kshs.119,237,606. However, review of records relating to revenue management revealed the following anomalies:

#### **4.1. Inefficiencies in the Billing System**

The system in use, being an in-house desktop application, in its current state, lacks functionalities that drives current businesses effectively and efficiently including mobile automated meter reading and assisting in keeping track of debtors.

#### **4.2. Customers Without Meters**

Review of debtors records maintained by the Company showed that a large number of debtors did not have meters for the period they have been consuming the water. This resulted to estimated billing which led to significant loss of revenue.

#### **4.3. Irregular Meter Replacement**

Review of expenditure records revealed that the Company had replaced 176 meters, mainly due to theft. However, it was noted that there were no police abstracts nor defect reports to support the claims of stolen meters. Further, customers were not charged for meter replacements and installation as required by the Company's policy, which led to approximate loss of revenue of Kshs.616,000.

#### **4.4. Unjustified Bill Adjustments**

Review of revenue records revealed that there were several meter adjustments on customers' accounts which in some cases were unjustified. No plausible reason was

given by management for this action occasioning loss of substantial revenue to the Company.

In the circumstances, the effectiveness of the internal controls, risk management and overall governance on revenue management for the Company could not be confirmed.

## **5. Outdated Water Tariffs**

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects operating revenue of Kshs.121,185,406 being water sales for the year under review. The current water tariff approved by Water Service Regulatory Board (WASREB) used to derive the water sales relates to 2021/2022 period and is therefore outdated.

In the absence of an updated and approved tariff structure, the accuracy of the water tariff being applied by the water Company and the actual revenues collected maybe inaccurate.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 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 Companies Act, 2015, I report based on my audit, that:

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

### **Responsibilities of the Management and Board of Directors**

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls as the 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 overall governance.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to cease operations.

The 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, the 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.

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

### **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Company's 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

25 March, 2024

**Oloolaiser Water and Sewerage Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**14. Statement of Profit or Loss & other Comprehensive Income For The Year Ended 30 June 2023.**


	Note	2022/2023	2021/2022
		Kshs	Kshs
<b>Revenue</b>			
Operating Revenue	6	121,185,406	153,439,064
Grants Income	7	14,040,926	38,280,615
Other Income	8	262,000	408,500
<b>Total Revenue</b>		<b>135,488,333</b>	<b>192,128,179</b>
<b>Expenses</b>			
Staff Costs	9	93,685,759.05	104,870,802
General and Operations expenses	10	64,164,743.84	79,189,195
Board Expenses	12	2,512,507.00	4,270,775
Maintenance Expenses	11	5,239,023.13	8,678,645
Depreciation and Amortization	13	2,716,845.73	3,738,394
Finance Costs	14	751,727.75	962,434
<b>Total Expenses</b>		<b>169,070,606.50</b>	<b>201,710,245</b>
<b>Profit/(Loss) Before Taxation</b>		<b>(33,582,273.80)</b>	<b>(9,582,066.46)</b>
<b>Income Tax Expense/(Credit)</b>		<b>0</b>	<b>0</b>
<b>Profit/(Loss) After Taxation</b>		<b>(33,582,273.80)</b>	<b>(9,582,066.46)</b>


**Oloolaiser Water and Sewerage Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**15. Statement of Financial Position as at 30 June 2023**

	Note	2022/2023	2021/2022
		Kshs	Kshs
<b>ASSETS</b>			
Non current assets			
Property Plant & Equipment	15	22,161,095	24,412,940
Intangible Assets		0	0
		<b>22,161,095</b>	<b>24,412,940</b>
<b>Current assets</b>			
Trade & Other Debtors	18	114,310,942	103,559,256
Cash & Cash Equivalent	16	484,768	2,037,486
		114,795,711	<b>105,596,742</b>
<b>Total assets</b>		<b>136,956,805</b>	<b>130,009,682</b>
<b>EQUITY AND LIABILITIES</b>			
Share Capital	17.(a)	100,000	100,000
Capital Reserve	17.(b)	3,817,836	3,817,836
General Reserve	17.(b)	-205,602,891	-172,020,617
<b>Total Equity</b>		<b>-201,685,055</b>	<b>-168,102,781</b>
<b>Non Current Liabilities</b>			
Capital Grant	22	15,988,810	15,988,810
<b>Total Non Current Liabilities</b>		<b>15,988,810</b>	<b>15,988,810</b>
<b>Current Liabilities</b>			
Trade and Other Payables	19	271,311,853	230,432,707
Customer Deposits	20	370,418	720,168
Contingent Liability	21	50,970,780	50,970,780
<b>Total Current Liabilities</b>		<b>322,653,052</b>	<b>282,123,656</b>
<b>Total Equity and Liabilities</b>		<b>136,956,805</b>	<b>130,009,682</b>

The financial statements were approved by the Board on 29/09/2023 and signed on its Behalf by:

  
 Name: *Dr. Daniel Salau*  
 Managing Director

  
 Name: *Antony Muriuki*  
 Head of Finance

  
 Name: *Julius Kaakua*  
 Chairman of the Board

ICPAK M/No: 24229

16. Statement of changes in Equity for the year ended 30 June 2023

	Note	Share Capital	Revenue Reserve	Capital Reserve	Total
		Kshs	Kshs	Kshs	Kshs
<b>As at 30th June 2021</b>		100,000	-162,438,551	3,817,836	-158,520,715
Prior year adjustments					
Restated Balance					
Amortization					
Additions for the year					
Profit/(loss) for the year			-9,582,066		-9,582,066
<b>As at 30th June 2022</b>	<b>17. A&amp;B</b>	<b>100,000</b>	<b>-172,020,617</b>	<b>3,817,836</b>	<b>-168,102,781</b>
<b>As at 30th June 2022</b>		100,000	-172,020,617	3,817,836	-168,102,781
Prior year adjustments					
Restated Balance					
Accumulated Amortization					
Additions for the year					
Profit/(loss) for the year			-33,582,274		-33,582,274
<b>As at 30th June 2023</b>	<b>17. A&amp;B</b>	<b>100,000</b>	<b>0</b>	<b>3,817,836</b>	<b>0</b>

17. Statement of cash flows for the year ended 30 June 2023

	NOTES	2022/2023	2021/2022
		Kshs.	Kshs.
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>23</b>	<b>(1,087,718)</b>	<b>4,495,299</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of plant, property and equipments	<b>15</b>	(465,000)	(18,762,062)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(465,000)</b>	<b>(18,762,062)</b>
<b>FINANCING ACTIVITIES</b>			
Capital Grant	<b>22</b>	-	15,988,810
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>-</b>	<b>15,988,810</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1,552,718)</b>	<b>1,722,047</b>
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>2,037,485</b>	<b>315,439</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>484,768</b>	<b>2,037,485</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS :</b>			
Bank and Cash Balance	<b>16</b>	<b>484,768</b>	<b>2,037,485</b>

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**18. Statement of comparison of Budget & Actual amounts for the period ended 30 June 2023**

	ITEM	ORIGINAL BUDGET	ADJUSTMENT	FINAL BUDGET	ACTUAL INCOME AND EXPENDITURE TOTALS	BUDGET VS ACTUAL INCOME AND EXPENDITURE VARIANCE	ANNUAL PERFORMANCE RATING	REMARKS
	INCOME							
1	Total Billing	250,180,560.00	-	250,180,560.00	119,237,606.28	(130,942,953.72)	48%	The Revenue was not realised fully due to drought that led to closure of the Dam,power disconnections and ongoing constructions which kept desroying pipes.
	<b>Other Incomes</b>							
3	News connection fees	2,500,000.00		2,500,000.00	1,947,800.00	(552,200.00)	78%	The expected numbers of new connections were not realized due to limited water supply.
4	Grants	-	14,040,926.00	14,040,926.00	14,040,926.42	0.42		
5	VAT refunds			-		-	0%	
6	Others	4,526,689.66		4,526,689.66	262,000.00	(4,264,689.66)	6%	
	<b>Total income projection</b>	<b>257,207,249.66</b>	<b>14,040,926.00</b>	<b>271,248,175.66</b>	<b>135,488,332.70</b>	<b>(135,759,842.96)</b>	<b>50%</b>	
7	Total General and Operation Expenses	114,785,828.02	3,534,324.00	118,320,152.02	64,164,743.84	54,155,408.18	54%	Some expenses were not met due to decreased revenue that did not happen as budgeted.
8	Total Board Expenses	5,526,780.00		5,526,780.00	2,512,507.00	3,014,273.00	45%	The intended trainings for the Directors did not take place due to unavailability of resources.
9	Maintenance Expenses	14,037,670.00		14,037,670.00	5,239,023.13	8,798,646.87	37%	Actual expenditure was low as a result of decreased revenue.
10	Staff Costs	111,085,455.73	(3,534,824.00)	107,550,631.73	93,685,759.05	13,864,872.68	87%	The Company lost some staff members through death,resignation and termination,thus lowring the staff expenses.
11	Finance Cost	1,020,000.00	500.00	1,020,500.00	751,727.75	268,772.25	74%	
12	Depreciation	6,275,553.53		6,275,553.53	2,716,845.73	3,558,707.80	43%	
	<b>Grand Expenditure</b>	<b>252,731,287.28</b>	<b>-</b>	<b>252,731,287.28</b>	<b>169,070,606.50</b>	<b>83,660,680.78</b>	<b>67%</b>	
	<b>Income less expenses</b>	<b>4,475,962.37</b>	<b>14,040,926.00</b>	<b>18,516,888.37</b>	<b>(33,582,273.80)</b>			

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

CAPITAL BUDGET								
ITEM	ITEM	ORIGINAL BUDGET	ADJUSTMENT	FINAL BUDGET	ANNUAL INCOME AND EXPENDITURE TOTALS	ANNUAL INCOME AND EXPENDITURE VARIANCE	ANNUAL PERFORMANCE RATING	
1	Capital Grant		-	-	-			
	Expenditure							
1	Total Capital Expenditure	12,618,800	-	12,618,800.00	465,000	12,153,800.00	4%	Most of the budgeted items were not realized due to lack of revenue.
	Net Expenditure	(12,618,800)	-	(12,618,800)	(465,000)			

*Note: PFM Act section 164(2) ii and iv requires a County 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 (PUBLIC SECTOR ACCOUNTING STANDARDS BOARD) 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.*

## **19. Notes to the Financial Statements**

### **1. General Information**

Oololaiser Water and Sewerage Company Ltd is established by and derives its authority and accountability from Water Act No. 43 of 2016. The Company is wholly owned by the Kajiado County Government and is domiciled in Kenya. The Company's principal activity is to provide safe and reliable water services to customers in Rongai, Kiserian, Ngong and Kimuka Towns and their environs. 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. 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 the Company's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company. The figures are rounded to the nearest Kenyan shilling.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016, the Company's Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

**Oloolaiser Water and Sewerage Company Ltd.**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**3. Application of New and Revised International Financial Reporting Standards (IFRS)**

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2023.*

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.  <i>The Company does not issue insurance contracts.</i>	Effective for annual periods beginning on or after 1 <sup>st</sup> January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of ‘accounting estimates’ and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their <b>material</b> accounting policy information rather than their <b>significant</b> accounting policies.  <i>The Company did not have any changes to the accounting policies</i>	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

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*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.*

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Application of New and Revised International Financial Reporting Standards (IFRS)**

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
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 1st 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 do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.*

**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

*iii. Early adoption of standards*

The entity did not early – adopt any new or amended standards in year 2022/2023

**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 measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognizes revenue when it transfers control of a product or service to a customer.

**i) Revenue from the sale of water** is recognized in the year in which the *Oloolaiser Water and Sewerage Company Ltd* bills the customer after the customer has consumed water and collectability of the related receivables is reasonably assured.

**ii) Grants from Government Entities** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

**iii) Other income** is recognized as it accrues.

**Summary of Significant Accounting Policies**

**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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**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.

**Summary of Significant Accounting Policies**

**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 costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized in the income statement on a reducing balance 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:

<b>Item</b>	<b>Rates</b>
Intangible assets	33.3%
Water meters	33.3%
Computers	30%
Office furniture and equipment	12%
Pumps and equipment	30%
Water tanks	30%

A full year's depreciation charge is recognized both in the year of asset purchase and none in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment and accounted for in line with the provisions in the standard

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies**

**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 straight-line 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.

**f) Amortization and impairment of intangible assets.**

Amortization is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are 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 recognized and the asset is written down to its estimated recoverable amount.

**g) Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**h) Trade and other receivables**

Trade and other receivables are recognized at amortized cost 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 and when the necessary approval to write off is granted.

**i) 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 various Commercial Banks at the end of the reporting period.

**j) Trade and other payables**

Trade and other payables are non-interest bearing and are carried at amortized 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 the entity or not, less any payments made to the suppliers.

**k) Retirement benefit obligations**

The entity operates a defined contribution scheme for all full-time employees from July 1, 2012. The scheme is administered by Lap trust and Standard Chartered 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 12% Employee contribution and 15% Employer contribution per employee per month for the lap trust and at 7.5% Employee and 12% Employer for the Standard chartered.

**l) Budget information**

The original budget for FY 2022-2023 was approved by the Board of Directors on 24<sup>th</sup> June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded budget reallocation on the 2022-2023 budget following the governing body's approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. Both the financial statements are prepared and the budget are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance. 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. In addition to the basic difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section **18** of these financial statements.

**m) Comparative figures**

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

**n) 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, 2023

**o) Contingent Liability**

During the year former member of staff sued the Company for unfair dismissal, a case which he is unlikely to win since he was dismissed due to gross misconduct hence here was no provision made for the case.

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**a) Estimates and assumptions**

There were no estimates made during the year.

**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 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.

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

<b>Revenue</b>	<b>2022/2023</b>	<b>2021/2022</b>
	<b>Kshs.</b>	<b>Kshs.</b>
<b>6. Operating Income</b>		
Billings	119,237,606	152,777,764
Connection fees	1,947,800	661,300
<b>Total</b>	<b>121,185,406</b>	<b>153,439,064</b>
<b>7. Grants</b>		
Grants from Kajiado County	12,854,740	10,000,000
Other Grants	1,186,186	
Grants from WSTF		28,280,615
<b>Total</b>	<b>14,040,926</b>	<b>38,280,615</b>
<b>8. Other Income</b>		
Other Collections		8,500
Staff rent	262,000	280,000
Exhauster Income		120,000
<b>Total</b>	<b>262,000</b>	<b>408,500</b>
<b>Total</b>	<b>135,488,333</b>	<b>192,128,179</b>

<b>9. STAFF COSTS</b>	<b>2022/2023</b>	<b>2021/2022</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Staff Salary	78,886,570	86,173,436
Employer Pension Contribution NWC	942,720	971,288
Leave and Passage	1,419,448	1,430,910
Staff Welfare	100,000	329,000
Staff Medical	1,166,185	2,726,000
N S S F (Employer Contribution)	952,140	373,800
Staff bonus		
Gratuity provision	869,059	1,861,860
WASCA Sports		996,600
Employer Contribution to laptrust	7,710,742	8,229,678
Standby Allowances		
Casual Wages	1,638,895	1,778,230
<b>Total</b>	<b>93,685,759</b>	<b>104,870,802</b>

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

<b>10. GENERAL AND OPERATIONAL EXPENSES</b>			
		<b>2022/2023</b>	<b>2021/2022</b>
		<b>Kshs.</b>	<b>Kshs.</b>
Consultancy & Professional fees		359,668	
Auditor's Remuneration		232,000	232,000
Telephone, Postage and Telegram		228,636	181,230
Travel & Accommodation		4,916,630	4,978,595
Office Electricity & Water		204,807	7,956
Membership to professional bodies		409,798	301,940
Advertising & Promotions		190,820	330,174
Insurance		46,047	46,149
Library Expenses		5,800	74,210
Office Tea & Cleaning		193,148	230,569
Office Stationery		307,092	187,315
Printing and Photocopying		38,515	21,541
Provision for doubtful debts			
Security Services			1,135,578
General Office Expenses		192,007	147,881
Office Rent		180,000	2,305,119
Donations			
IT Expenses		1,134,982	1,440,272
Maintenance of Office Equipment		23,750	74,100
Stakeholders Forums		103,650	
Annual General Meeting			223,500
Legal Fees		174,000	685,840
Purchase of office furniture & equipment			
Uniforms And Protective Clothing		2,400	69,490
Staff Training		93,950	884,050
Workshops and Seminars			
Covid 19 Expenditure			
Power costs		32,386,322	40,139,245
Chemicals		16,257,166	16,853,705
M/Vehicle Fuel Expenses		479,001	355,800
Regulatory levy		4,769,504	6,111,111
Permit and Abstraction Fee		838,785	1,714,525
Water quality tests		69,165	6,400
Hire of Motor Vehicles/Plant & Equipment		327,100	450,900
<b>Total</b>		<b>64,164,744</b>	<b>79,189,195</b>

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

<b>11. MAINTENANCE EXPENSES</b>			
		<b>2022/2023</b>	<b>2021/2022</b>
		<b>Kshs.</b>	<b>Kshs.</b>
Maintenance of W/Supplies		3,281,644	7,061,568
Maintenance of buildings & Stations		53,100	15,800
Maintenance of pumps and equipment		1,640,853	1,151,269
Maintenance of M/Vehicles		263,426	450,008
<b>Total</b>		<b>5,239,023</b>	<b>8,678,645</b>
<b>12. DIRECTORS EXPENSES</b>			
		<b>2022/2023</b>	<b>2021/2022</b>
		<b>Kshs.</b>	<b>Kshs.</b>
Board Allowances		1,971,376	2,309,950
Chairman's Honoraria		342,852	342,852
Other Board Expenses		198,279	1,617,973
<b>Total</b>		<b>2,512,507</b>	<b>4,270,775</b>
<b>13. Depreciation</b>		2,716,846	3,738,394
<b>14. FINANCE COSTS</b>		<b>2022/2023</b>	<b>2021/2022</b>
Bank Charges		220,461	203,686
Revenue Collection Expenses		531,267	758,748
<b>Total</b>		<b>751,728</b>	<b>962,434</b>

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

15. PROPERTY PLANT AND EQUIPMENT								
	Intangible 2023 Assets	Water Meters	Furniture & Office Equipment	Computers	Tanks	Pumps & Equipment	Work in Progress	Total
Rate	33.30	33.30	12.00	30.00	30.00	30.00		
<b>COST</b>		Kshs.	Kshs.	Kshs.				Kshs.
As at 1 July 2022	295,471	25,444,754	1,896,320	2,359,606	1,108,854	14,546,225	15,986,562	61,637,792
Additions at cost		465,000					-	465,000
Disposal								0
As at 30 June 2023	295,471	25,909,754	1,896,320	2,359,606	1,108,854	14,546,225	15,986,562	62,102,792
<b>DEPRECIATION</b>								
At 1 July, 2022	295,471	21,250,567	1,316,759	2,013,219	796,826	11,552,009	-	37,224,851
Charge for Year	-	1,551,509	69,547	103,916	93,608	898,265		2,716,846
As at 30 June, 2023	295,471	22,802,076	1,386,306	2,117,135	890,434	12,450,274	0	39,941,697
<b>NET BOOK VALUE</b>								
As at 30 June, 2022	-	4,194,187	579,561	346,387	312,028	2,994,215	15,986,562	24,412,940
As at 30 June, 2023	-	3,107,678	510,014	242,471	218,420	2,095,951	15,986,562	22,161,095

2022	Intangible Assets	Water Meters	Furniture & Office Equipment	Computers	Tanks	Pumps & Equipment		Total
Rate	33.3	33.30	12	30	30	30		
<b>COST</b>		Kshs.	Kshs.	Kshs.				Kshs.
As at 1 July 2021	295,471	22,920,754	1,644,820	2,359,606	1,108,854	14,546,225		42,875,730
Additions at cost		2,524,000.00	251,500.00				15,986,562.00	18,762,062
Disposal	0	-	0	0	0	0		-
As at 30 June 2022	295,471	25,444,754	1,896,320	2,359,606	1,108,854	14,546,225	15,986,562	61,637,792
<b>DEPRECIATION</b>								
At 1 July, 2021	295,471	19,156,618	1,237,728	1,864,767	663,100	10,268,774		33,486,458
Charge for Year	-	2,093,949	79,031	148,452	133,726	1,283,235		3,738,394
As at 30 June, 2022	295,471	21,250,567	1,316,759	2,013,219	796,826	11,552,009	-	37,224,851
<b>NET BOOK VALUE</b>								
As at 30 June, 2021	-	3,764,136	407,092	494,839	445,754	4,277,450	-	9,389,272
As at 30 June, 2022	-	4,194,187	579,561	346,387	312,028	2,994,215	15,986,562	24,412,940

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

<b>16. Cash Balances</b>		<b>2022/2023</b>	<b>2021/2022</b>
<b>Cash at Bank</b>			<b>Kshs.</b>
K.C.B. Ongata Rongai -Revenue		(433,499)	6,812
K.C.B. Expenditure Account		9,373	(330,393)
K.C.B. Deposit Account		324,588	863,963
Posta Corporation		105,570	88,580
Post Bank		149,933	481,577
MPESA		94,507	847,453
Equity Bank CLSG account		5,532	5,532
Equity Bank collection account		225,610	68,553
		<b>481,615</b>	<b>2,032,078</b>
<b>Cash In Hand</b>			
Office Petty Cash		3,154	5,408
		<b>3,154</b>	<b>5,408</b>
		<b>484,768</b>	<b>2,037,486</b>

	<b>2022/2023</b>	<b>2021/2022</b>
	<b>KShs.</b>	<b>Kshs.</b>
<b>17. SHARE CAPITAL</b>		
<b>17. (a )Authorized</b>		
5000 Ordinary shares of Kshs. 20 each	100,000	100,000
Issued:		
5000 Ordinary shares of Kshs. 20 each	100,000	100,000
<b>17. (b ) Reserves</b>		
Capital Reserve	3,817,836	3,817,836
General Reserve	(205,602,891)	(172,020,617)
	<b>(201,685,055)</b>	<b>(168,102,781)</b>
<b>18. TRADE &amp; OTHER DEBTORS</b>	<b>2022/2023</b>	<b>2021/2022</b>
Trade Receivables (Water Supply Debtors) note 18 (a)	132,359,418	121,302,937
Provision for doubtful debts	(18,865,419)	(18,865,419)
Electricity Deposit	2,500	2,500
Rent Deposit	296,040	296,040
Water Deposit	1,500	1,500
W.S.T.F Accounts	6,000	6,000
Staff Debtors (note 18(b))	<b>510,903</b>	<b>815,698</b>
	<b>114,310,942</b>	<b>103,559,256</b>

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

<b>18. (a) Trade Receivables</b>		
Gross trade receivables	132,359,418	121,302,937
Provision for doubtful receivables	(18,865,419.00)	(18,865,419)
Net trade receivables	<b>113,493,999.03</b>	<b>102,437,518.48</b>
<b>At June 30, the ageing analysis of the gross trade receivables was as follows:</b>		
Less than 30 days	5,850,286	5,363,364
Between 30 and 60 days	3,414,873	3,129,512
Between 61 and 90 days	4,103,142	3,760,380
Between 91 and 120 days	3,057,503	2,799,979
Over 120 days	115,933,614	106,249,703
<b>Total</b>	<b>132,359,418</b>	<b>121,302,937</b>
<b>18 (b) Staff Debtors</b>		
Gross staff advances	510,903	815,698
Provision for impairment loss	-	0
Net staff advances	510,903	815,698
Less: Amounts due with one year	(510,903)	(815,698)
Amounts due after one year	-	-

<b>19.) TRADE &amp; OTHER PAYABLES</b>	<b>2022/2023</b>	<b>2021/2022</b>
Trade Creditors	66,491,259	67,239,927
Net Salaries	25,102,810	15,977,475
N.H.I.F	2,531,159	2,553,709
N.S.S.F	1,551,560	95,820
Board Allowances Net	105,000	240,000
NITA	297,070	211,870
Paymaster General	11,124,430	4,084,935
Customers' Deposits	-	720,168
Laptrust	79,806,454	65,931,209
Honoraria Net	480,000	240,000
KCGWU	788,800	549,200
OWSWA Welfare Association	1,131,000	621,000
Liberty Life Assurance	4,851	4,851
COTU	669,495	522,645
ICEA Lion Insurance	7,635	7,635
Pan African Insurance	653	653
Gratuity	5,858,997	4,989,938
Sanlam life assurance	4,991	4,991
Agencies Unreceipted Deposits	2,048,157	1,650,824
Standard Chatered	9,470,180	8,056,100
Ukulima Sacco	3,518,800	4,593,364
Staff creditors	835,321	733,321
Auditor General	2,030,000	1,798,000
KRA Withholding	1,063,334	696,453
Loan from Deposit account	19,624,450	17,124,450
Prepaid Water	1,271,563	1,618,742
WASREB	26,818,465	22,048,960
W.R.M.A	6,460,440	6,621,655
Tanathi Water Servises Board-Licensee's remuneration	-	50,970,780
Commissioner of Income Tax	2,214,980	2,214,980
	<b>271,311,853</b>	<b>282,123,655</b>

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

20.) Customers' Deposits	370,418	
21) Tanathi Water Services Board-Licensee's remuneration	50,970,780	
22) Capital Grant		
Grant	15,988,810	15,988,810
Liquidated	-	
Balance Carried Forward	15,988,810	15,988,810

<b>23. NOTES TO THE STATEMENT OF CASH FLOWS</b>	<b>2022-2023</b>	<b>2021-2022</b>
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations</b>		
Operating loss	(33,582,273.80)	(9,582,066.46)
Depreciation	2,716,845.73	3,738,394.00
Operating loss before working capital changes	(30,865,428.07)	(5,843,672.46)
Increase in receivables	(10,751,686.18)	(26,341,263.89)
increase in payables	40,529,396.05	36,680,236.51
Cash generated from/(used in) operations	(1,087,718.20)	4,495,299.16
<b>(b) Analysis of cash and cash equivalents</b>		
Cash at bank	481,614.77	2,032,077.75
Cash in hand	3,153.56	5,408.00
Balance at end of the year	484,768.33	2,037,485.75

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**24. Retained Earnings**

The retained earnings represent amounts available for distribution to the Oloolaiser Water and Sewerage Company Limited shareholders. Undistributed retained earnings are utilised to finance the Company business activities.

**Other Disclosures**

**25. Related Party Disclosures**

**County Government of Kajiado.**

The County Government of Kajiado is the principal shareholder of the Company, holding 100% of the Company's equity interest.

Other related parties include:

- The County Department in charge of Water
- Water works Agencies
- WASREB
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Transactions with related parties**

	2022-2023	2021-2022
	Kshs	Kshs
a) Grants		
1. Grant from County Government of Kajiado	12,854,740	10,000,000
2. Grant from Water Sector Trust Fund		44,269,425
	<b>12,854,740</b>	<b>54,269,425</b>
b)Key management compensation		
1. Directors' emoluments	2,314,228	2,652,802
2. Compensation to Managing Director	2,552,000	5,046,000
3. Compensation to key management	8,930,000	8,743,488
<b>Total</b>	<b>13,796,228</b>	<b>16,442,290</b>

**26. Financial Risk Management**

The Company'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.

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**(i) Credit risk**

The Company 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.

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:

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
<b>At 30 June 2023</b>				
Trade Receivables	113,493,999	17,039,776	96,454,223	
Other Receivables	816,943	816,943		
Bank balances	484,768	484,768		
<b>Total</b>	<b>114,795,711</b>	<b>18,341,487</b>	<b>96,454,223</b>	
<b>At 30 June 2022</b>				
Trade Receivables	102,437,518	15,053,234	87,384,284	
Other Receivables	1,121,738	1,121,738		
Bank balances	2,037,486	2,037,486		
<b>Total</b>	<b>105,596,742</b>	<b>18,212,458</b>	<b>87,384,284</b>	

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

***Credit Risk (Continued)***

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 Company's directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company 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.

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2023 current year</b>				
Trade payables	2,659,651	10,638,601	53,193,007	66,491,259
Other payables	16,136,196	24,608,010	164,076,388	204,820,594
<b>Total</b>	<b>18,795,847</b>	<b>35,246,611</b>	<b>217,269,395</b>	<b>271,311,853</b>
<b>At 30 June 2022</b>				
Trade payables	2,679,553	10,758,388	53,801,985	67,239,927
Other payables	13,056,480	19,584,721	130,551,578	163,192,780
<b>Total</b>	<b>15,736,034</b>	<b>30,343,110</b>	<b>184,353,563</b>	<b>230,432,707</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**(iii) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the Company 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 Department in charge of risk management 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 Company's exposure to market risks or the manner in which it manages and measures the risk.

**a) Foreign currency risk**

The Company has no transactional currency exposures.

**b) Interest rate risk**

Interest rate risk is the risk that the Company's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises from interest rate movements on the company's deposits. To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

**iv) Capital Risk Management**

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

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

	2022-2023	2021-2022
	Kshs	Kshs
Retained earnings	(205,602,891)	(172,020,617)
Capital reserve	3,817,836	3,817,836
<b>Total funds</b>	<b>(201,785,055)</b>	<b>(168,202,781)</b>
Less: cash and bank balances	484,768	2,037,485
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

## 27. Going Concern

The financial statements reflect a negative working capital of Kshs. 207,857,341 and negative revenue reserves of Kshs.205, 602,891 which was due to accumulated losses over the years. The main cause of the Company reporting losses was due to dilapidation of its pipeline network which led to high non-revenue water, drought, outdated tariffs, and destruction of pipeline by road construction agencies among others. Some of the measures the Company has put in place to mitigate/revert the position in coming months are as listed below

- i. *Renewal of pipeline in Ongata Rongai and Kiserian under Nairobi Satellite Towns Water and Sanitation Project which is anticipated to be complete by March 2024. The renewal is expected to reduce non-revenue water to below 20%. Under the project the Company will also get additional water of 10,000 cubic meters from the northern collector and newly developed boreholes.*
- ii. *The Company has applied for a tariff review to match up water charges with the operating cost which is expected to be approved in the Financial Year 2023/2024*
- iii. *The Company in conjunction with stakeholders like the Kajado County Government, Athi Water Works Development Agency is in the process of identifying some boreholes which will be solarized to cut on power costs.*
- iv. *Improvement in operational efficiencies through acquiring a new billing system which automates meter reading, billing and revenue collection, setting up a non-revenue team to address NRW issues.*

Based on the above measures put in place to reverse the current position the Company has no doubt on its going concern

## 28. Incorporation

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

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

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**29. Events After the Reporting Period**

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

**30. Currency**

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

**31. Appendices**

**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

2018/2019					
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)
2.	Going concern status of the Company not disclosed in the financial statements	Management concurred and adjusted the financial statements for the disclosure. Strategies in place to resolve the issue of going concern were given.	Managing Director Peter Juma	Ongoing	June 2023
	Company's Non-revenue water was above the regulator's recommendation of 8.34% above the industry ceiling of 25%	The high non-revenue water was due to dilapidated pipeline that the Company uses in distribution.	Technical Manager Wilson Munguti	Ongoing	June 2023
2019/2020					
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)

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

1.	Inaccuracy in the financial statements	Assets the Company uses for revenue generation have not be handed over. Amount in the reserve includes loss for the period	Antony Muriuki Finance Manager	Resolved	
2.	Budget was not met in both revenue and expenditure	Pipeline destruction and power disconnections resulted to low revenue generation below the projected amounts	Solomon Saruni Commercial Manager	On going	June 2023
3.	Unresolved prior year matters	The management included the progress in implementation of prior year audit issues	Antony Muriuki Finance Manager	Resolved	
4.	Lack of ICT and risk management policy	The Company was in the process of developing the policies	Managing Director Dickson Ntikoisa	Ongoing	December 2022
5.	Lack of staff establishment	The Company was in the process of developing one	Human Resource Manager Faith Lekato	Forwarded to Board of Directors for approval	December 2022
<b>2021/2022</b>					
<b>Referenc e No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation</b>	<b>Status: (Resolved / Not Resolved</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1.	Unsupported bank balance	Management requested for the	Finance manger	Not resolved	Immediately the certificate is

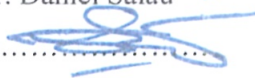
**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

		certificate from the bank which have not been provided			provided by the bank
2.	Receivables and provision for doubtful Debts-Lack of thresholds for calculation of provisions.	The management has developed a debt management policy which stipulates the age of the debt to be provided for at at which rate	Finance Manager	Not resolved	December 2023
3.	Inaccuracies in the statement of cash flows	Current year financial statements comparative figures adjusted to reflect correct figures	Finance Manager		October 2023
4.	Misstatement of Budget amounts.	Budget figures agree, to further discuss with auditors			
5.	Trade and other payables- Long outstanding debts	The Company experienced challenges which led to poor performance hence non-payment of its debts. Project in place to improve revenues	Managing Director	Not Resolved	December 2023

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

6.	Budgetary control and performance-under expenditure and underperformance.	The Company experienced challenges which led to poor performance hence non-payment of its debts. Project in place to improve revenues	Managing Director	Not Resolved	December 2023
7.	Unresolved prior year matters	Company engaging with the Auditors to resolve the pending issues			

Name: Dr. Daniel Salau

Signature.....

Managing Director

Date.....*9th February 2024*

**Appendix II: Recording of Transfers from Other Government Entities**

Name of the County/MD A/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Comprehensive income	Capital Fund
County Government of Kajiado	4/05/2023	Recurrent	12,854,740	12,854,740	0
<b>Total</b>			12,854,740	12,854,740	0