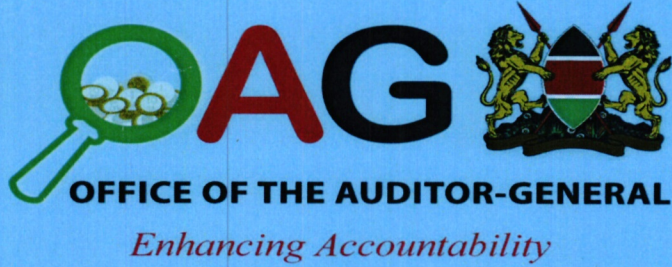


Scanned  
6/10/2021



**REPORT**

PARLIAMENT  
OF KENYA  
LIBRARY

**OF**

PAPERS LAID	
DATE	30/9/2021
TABLED BY	Minority leader
COMMITTEE	
CLERK AT THE TABLE	Kawata m.

**THE AUDITOR-GENERAL**

**ON**

**OLKEJUADO WATER AND SEWERAGE  
COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2019**



---

**OLKEJUADO WATER AND SEWERAGE COMPANY LIMITED**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2019**

---

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

**Olkejuado Water and Sewerage Co. Ltd**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**Table of Contents**

**Page**

KEY ENTITY INFORMATION	iii-iv
BOARD OF DIRECTORS	v-iv
MANAGEMENT TEAM	vii-ix
CECM- WATER & IRRIGATION 'S STATEMENT	xii
REPORT OF THE MANAGING DIRECTOR	xiii
CORPORATE GOVERNANCE STATEMENT	xiv-xv
MANAGEMENT DISCUSSION AND ANALYSIS	xiv
CORPORATE SOCIAL RESPONSIBILITY STATEMENT	xvii
REPORT OF THE DIRECTORS	xviii
STATEMENT OF DIRECTORS' RESPONSIBILITIES	xix
REPORT OF THE INDEPENDENT AUDITOR/AUDITOR GENERAL	xx
STATEMENT OF COMPREHENSIVE INCOME	7
STATEMENT OF FINANCIAL POSITION	8
STATEMENT OF CHANGES IN EQUITY	9
STATEMENT OF CASH FLOWS	10
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 <sup>TH</sup> JUNE 2019	11
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS	12-28

# **Olkejuado Water and Sewerage Co. Ltd**

## **Reports and Financial Statements**

### **For the year ended June 30, 2019**

#### **I. KEY ENTITY INFORMATION**

##### **Background information**

Olkejuado Water & sewerage company Ltd was established by the Act of Parliament of 2002 on 27<sup>th</sup> June 2006 at board company level. **Owasco** is represented by the Managing Director for who is responsible for the general policy and strategic direction of the company.

##### **Principal Activities**

The principal activity of the company is provision of water services.

##### **Directors**

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

<b>Name</b>	<b>Designation</b>	
1. Mr. Michael Semera	County Representative	Appointed 1 <sup>st</sup> October, 2017
2. Mr. Alais Kisota	County Representative	Appointed 1 <sup>st</sup> October, 2017
3. Peter Juma Aliero	Ag. Managing Director	14 <sup>th</sup> December , 2017

**Olkejuado Water and Sewerage Co. Ltd**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**KEY ENTITY INFORMATION (Continued)**

**Registered Office**

Sub- County Water Office Block  
Along Kajiado - Narnanga Road  
Next to Kajiado Police Station  
**Kajiado -Kenya**

**Corporate Headquarters**

P.O. BOX.350-01100  
Sub- County Water Office Block  
Along Kajiado-Namanga Road  
Next to Kajiado Police Station  
**Kajiado-Kenya**

**Corporate Contacts**

Telephone: (254)21270  
E-mail: [info@owasco2010@gmail.com](mailto:info@owasco2010@gmail.com)

**Corporate Bankers**

Co-operative Bank of Kenya  
P.O. BOX.350-01100  
**Kajiado- Kenya**

**Independent Auditors**

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

**Principal Legal Advisers**

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

**Olkejuado Water and Sewerage Co. Ltd**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**COUNTY GOVERNMENT REPRESENTATIVES**



**Director Michael Semera**

**Date of Birth:**

**Key Qualifications**

**Work Experience:**

**Responsibilities**

- Assist in shaping the Company's mission and strategic direction.
- Assist in formulation of the Company's policy and approval of utilization of Company funds, administration of the Company and protection of the property and assets of the Company.
- Water, Irrigation, Environment & Natural resources County Executive Committee Member County Government of Kajiado

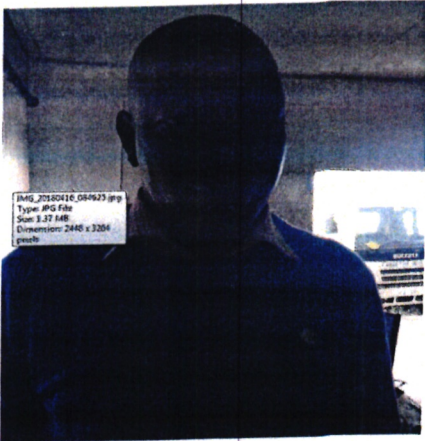
**Olkejuado Water and Sewerage Co. Ltd**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

<p><b>Director Allais Kisota</b> <b>Date of Birth:</b> <b>Key Qualifications</b></p>	<p><b>Work Experience:</b></p> <p><b>Responsibilities</b></p> <ul style="list-style-type: none"><li>-Assist in shaping the Company's mission and strategic direction.</li><li>-Assist in formulation of the Company's policy and approval of utilization of Company funds, administration of the Company and protection of the property and assets of the Company.</li><li>- Water and Irrigation County Executive Committee Member County Government of Kajiado</li></ul> <p>:</p>
--	---

**Olkejuado Water and Sewerage Co. Ltd**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**MANAGEMENT TEAM**

**Ag. Managing Director**



**Peter Juma Aliero**  
**Date of Birth: 1961**

**Key Qualifications**


- Diploma in Water Engineering
- Degree in Water Engineering

**Work Experience:**

**Duties and responsibilities**

- Heading the management team of the Company and be responsible for the day to day operations of the Company.
- Keeping the board informed on Performance and implement board resolutions.
- Providing leadership in the development and implementation of the Company's strategic plans to enhance profitability and shareholder value.
- Ensuring the business promotion is carried out as per developed and formulated plans so as to attain planned rate of return of assets.
- Ensuring effective mobilization and utilization of resources.
- Cultivating and encouraging a productivity culture of results in the Company.
- Establishing, directing and managing the Company's managerial, financial and operational systems, procedures and controls to ensure that they are professional, workable and sustainable.
- Providing strategic direction on new investments, business opportunities and change initiatives.
- Entrench and sustain a customer focused approach in areas of the business to maintain high service delivery standards.
- Providing relationship management and networking with local and global business partners and stakeholders.
- Promoting sound corporate governance and ethical standards.
- Providing proactive public relations and enhance the Company's corporate image.

**Olkejuado Water and Sewerage Co. Ltd**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

<p>-</p> <p><b>Technical Manager</b></p>  <p><b>Leshinka Lemamai Nka rrunka</b></p> <p><b>Date of Birth:</b> 19<sup>th</sup> January, 1990</p> <p><b>Key Qualifications</b></p> <ul style="list-style-type: none"> <li>- BSC -Water &amp; Environment Engineering</li> </ul> <p><b>Working Experience</b></p> <ul style="list-style-type: none"> <li>- 2013 – Oololaiser Water &amp; Sewerage Company</li> <li>- 2014- Ministry of Water &amp; Irrigation Kajiado</li> <li>- 2015-Jan 2016- Koinike Construction Company</li> <li>- Jan –June 2016 – Nol-Turesh Water &amp; Sanitation Company</li> <li>- July 2016 to date –Olkejuado Water &amp; Sewerage Company</li> </ul>	<p>-</p> <p><b>Duties and Responsibilities</b></p> <ul style="list-style-type: none"> <li>- Ensure improvement and maintenance of current sources of water</li> <li>- Routine maintenance of civil works, mechanical and electrical equipment</li> <li>- Ensuring regular and reliable water service delivery consistent with available water resources.</li> <li>- Investigate new water sources and liaison with WSB, to develop those sources to improve service delivery.</li> <li>- Developing and improving strategies for effective service delivery.</li> <li>- Undertaking regular maintenance of service delivery infrastructure to minimize water losses.</li> <li>- Capital management program</li> <li>- Water demand management.</li> <li>- Preparation of departmental work plan</li> <li>- Attainment of service and quality standards defined.</li> </ul>
---	--

**Olkejuado Water and Sewerage Co. Ltd**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**Internal Auditor**



**David Shololoi Lesalon**

**Date of Birth:** 2<sup>nd</sup> August, 1992

**Key Qualifications**

- BSC – (Agricultural Economics)
- CPA (K)

**Work Experience:**

- 2015- Agricultural Development Support Program(ASDSP)
- 2015-2016- Kenya National Bureau of Statistical (KNBS)
- July 2016 to date –Olkejuado Water & Sewerage Company

**Duties and Responsibilities**

- Operationalising the internal audit Section/Department of the Company.
- Preparation of the Risk based Internal Audit Strategy & Plan of Internal Audit Function and submitting it to the Audit Committee which shall submit its recommendations to the Company’s Board of Directors for their review and approval
- Executing Internal Audit Work in accordance with the approved annual Internal Audit Plan.
- Submitting Internal Audit Reports to the Audit Committee which shall provide its recommendation to the Board of Directors for their review and approval. A copy shall be provided to the company’s Chief Executive Officer.
- Identifying strategic, compliance, financial, operational, and Information Technology risks; as well as cooperating with management to suggest effective control and monitoring control measures with a reasonable cost to mitigate the effect of those risks and detect them as soon as they occur.
- Developing of Internal Audit Function’s policies and procedures (Internal Audit Manual) in accordance with leading professional practices

# Olkejuado Water and Sewerage Co. Ltd

## Reports and Financial Statements

### For the year ended June 30, 2019

#### CECM- WATER & IRRIGATION STATEMENT

On behalf of the County Government, I am encouraged by the integrity, responsiveness and sheer determination of the Directors, Management and employees which has been key in meeting water services needs within our area of jurisdiction despite the various challenges faced, it is therefore, with great pleasure that I present the Reports Financial Statement of the year ended 30<sup>th</sup> June 2019.

The company's mission is to provide water and waste water services that are economically viable, environmentally friendly, socially responsible and responsive to customer needs and expectations. This in its self is a major challenge but which I want to assure you that the company is capable of achieving.

We have faced challenges of water demand exceeding the available water supply, aged and dilapidated reticulation system, limitation of the pipeline coverage, water losses and increased costs which outstretch the available revenues. Some of these challenges have been addressed through internally generated resources and Government of Kenya through the Ministry of Water and Irrigation and its agencies, for example the Water Services Trust Fund.

The limited expansion of the Company's pipe network and facilities to support the increasing demand has gone a long way to build on customer confidence and satisfaction. Over the years we have intensified implementation of system expansion, reinforcement and upgrade projects aimed at improving the reliability of water supply, reducing system losses and creating capacity for new customer connections and extension of service coverage.

It is clear that the future will be equally as challenging as the past in consideration of the rapid urbanization within our area of service. The County is therefore committed on the insistence on good governance to overcome the inevitable challenges. The Board shall continue to transform the Company into a dynamic, pro-active, and consumer conscious organization so as to prevail over existing and emerging challenges and attain its vision "To be the industry leader and water service provider of choice".

Finally, I am humbled to sincerely express my gratitude and appreciation to all shareholders, our esteemed customers, my fellow Directors, the Management team, staff, Government of Kenya, investment partners, and our valued suppliers for their continued support which has contributed to achieving our mandate as a water service provider.

Thank you

Michael Semera  
CECM- Water & Irrigation

# **Olkejuado Water and Sewerage Co. Ltd**

## **Reports and Financial Statements**

### **For the year ended June 30, 2019**

#### **REPORT OF THE MANAGING DIRECTOR**

I am pleased to present the Annual Report and Financial Statements of OWASCO for the year ended 30<sup>th</sup> June 2019. This is the ninthly annual report and financial statements for the Company and demonstrates how far we have come.

Despite the challenges of huge power bills and lack of sufficient water supply the company has continued to gain momentum over the short period since inception. The company has in place a Strategic Plan (2013-2018) which is used to improve service delivery and ensure achievement of set targets by emphasizing on areas of priority in provision of water and sanitation services.

#### **Financial Review**

During the year the Company made a Loss of Kshs 5,162,776 compared to a loss of Kshs 5,007,405 during the last year.

#### **Service delivery**

During the year, as envisaged in one of our core values of customer focus, the company continued to maintain satisfactory levels in service delivery. The water produced was distributed to customers equitably through a rationing programme. The average supply hours remained at 12hrs/day and the amount of water provided was an average of 621 M<sup>3</sup>/day.

The Company has however faced many challenges that include infrastructure and facilities support due to low revenue collection and funding. These are being addressed through other mechanisms that include partnerships with County Government, National Government and other Development Partners.

#### **Business development**

During the period under review, the company continued to solidify its partnership with Water Services Trust Fund by qualifying for funds to improve services in low income areas.

#### **Appreciation**

I would like to appreciate all our stakeholders, more so the County Government of Kajiado and Development partners for the solid commitment and support during the year 2018/19. To our esteemed Customers, thank you for your loyalty and support. It is through the hard work and dedicated effort of the County Government and Management that we are now able to celebrate together our achievements for 2018/19 financial year. Therefore to the management and staff at OWASCO, let us practice our core values of Customer focus, Professionalism, Teamwork, Integrity, Innovation and Creativity so as to make a difference in our country.

We hope for continued cooperation from all the stakeholders in the coming years.

Peter Juma Aliero  
**MANAGING DIRECTOR**

# **Olkejuado Water and Sewerage Co. Ltd**

## **Reports and Financial Statements**

### **For the year ended June 30, 2019**

#### **CORPORATE GOVERNANCE STATEMENT**

The CECM-Water ,Irrigation, Environment & Natural Resources is responsible for the overall management of the Company and is committed to ensuring that its business and operations are conducted with integrity, professionalism, and in compliance with the law, internationally accepted principles and best practices in corporate governance.

In the recent years various recommendations have been made in several legal and professional publications in an attempt to determine the most appropriate way for companies to be structured to achieve the highest standards of corporate governance. The county is committed to full compliance of all the relevant laws including the Guidelines on Corporate Governance issued by the Regulator, WASREB

The Corporate Governance of OWASCO takes place within a framework, which exists to regulate and/or guide the conduct of staff, customers and members of public in assessing the Company's facilities and services. The objective of the framework is to provide for the effective, ethical and accountable governance and management of the Company. The key instruments within the governance framework are:

- The Kenya Constitution
- The Water Act 2016
- The Public Financial Management Act (2012)
- The Public Procurement and Disposal Act (2005)
- The Public Procurement and Disposal Regulations (2006)
- The OWASCO Service Charter
- Company approved policies and procedures

For the sake of coherence and legitimacy, it was in the best interest of the Company that its conduct be regulated by the most appropriate type of governance instrument.

#### **The Board of Directors**

During the financial year 2018/2019 the company had not yet appointed the Board of Directors

**Olkejuado Water and Sewerage Co. Ltd**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**CORPORATE GOVERNANCE STATEMENT (Continued)**

The company did not have the Board of Directors during the financial year 2018/2019

**Composition of the Board**

The company did not have the Board of Directors during the financial year 2018/2019

**Board Meetings**

The company did not have the Board of Directors during the financial year 2018/2019

**Board Committees**

The company did not have the Board of Directors during the financial year 2018/2019

**Report of the Directors**

The company did not have the Board of Directors during the financial year 2018/2019

# Olkejuado Water and Sewerage Co. Ltd

## Reports and Financial Statements

### For the year ended June 30, 2019

#### MANAGEMENT DISCUSSION AND ANALYSIS

The financial year ended 30<sup>th</sup> June 2019 was a very difficult year for Owasco due to various reasons

1. **Water sources** – the company has two water sources namely Bulk Water from Nol- Turesh Water & Sanitation Company serving Konza line and Kajiado Town & its environs and Borehole water serving Kajiado Town and its Environs, Ilbissil and Isinya schemes. During the financial year 2018/2019 the company did not receive any bulk water from Nol- Turesh. The production for Borehole water was low due to frequent power disconnection and Borehole breakdown. Also during the year the Company received little Bulk water from Nairobi City Water & sewerage Co. Ltd
2. **Out dated Extra Ordinary Tariff** – The Company has been operating under ETA.

In view of the above reasons, achievement of our projected revenue growth has not been very successful leading to under achieving our targets.

Under achievement of revenue targets has equally led to low budget absorption due to unavailability of adequate resources to expend.

The company has been able to comply with statutory requirements which are set out in various Acts and guidelines.

The company operating under 2013 -2017 business plan and is on process of developing of another one for 2019-2021

This business plan would therefore;

1. Enable Owasco to creatively respond to the changing social and economic environment
2. Enable Owasco identify its core activity in light of the environmental factors and internal capacities.
3. Implement growth and sustainability strategy
4. Provide clear objectives and direction to members of staff

The company has also forwarded various proposals the County Government for development of new water sources and reticulation system. This will enable us to adequately serve our customers and grow our revenue base.

# **Olkejuado Water and Sewerage Co. Ltd**

## **Reports and Financial Statements**

### **For the year ended June 30, 2019**

#### **CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

Olkejuado Water and Sewerage Company recognize that we must be responsible towards its stakeholders, society and our environment in order to achieve a sustainable system in Kenya. As a Company we acknowledge our responsibility to the environment and to our local communities in which we operate. We aim to embrace responsibility for corporate actions and to encourage a positive impact on the environment and stakeholders including customers, employees, investors, communities and others. The Company actively encourages our staff to recognise those responsibilities and behave in a responsible manner toward the society in which we function. We regard the setting of good examples as an important practice in this regard. Below are some examples of how the Company and its staff have shown commitment to practice responsible corporate behaviour and to establish and support initiatives in the offices.

#### **Environment**

The Company seek to contribute to a cleaner environment and hence involved in community exercises which include clean up exercises especially in towns within its area jurisdiction and by so doing reduces impact on the environmental pollution. The company also actively gets involved in tree planting in its various Stations. The company also contributes to the society by giving donations especially during public national holidays.

#### **Employees**

The success of the company is based on its people. The Company seek to recruit, retain, reward and develop the best talent in the company. It recognises the need to inculcate among our employees the culture of being sensitive to safety, security, society and the environment. This ensures that employees act with integrity and responsibility with the people they deal with and the environment they interact with. It train employees to value each other, provide necessary support systems for people with different needs and have a system in place that encourages acceptance of cultural diversity. Further, it continually seeks to improve its employees through structured programs for personal and professional development.

#### **Health and Safety**

The Company aim to ensure a safe and healthy working environment for all our employees and customers. The Company aims to comply with all relevant legislation or regulations and best practice guidelines recommended by national health and safety authorities. It also liaises with staff regarding policies and practices so that it can continue to maintain a healthy, safe and enjoyable work environment.

# Olkejuado Water and Sewerage Co. Ltd

## Reports and Financial Statements

### For the year ended June 30, 2019

#### REPORT OF THE DIRECTORS

Since we had no board during the financial year, the CECM- Water & Irrigation submit the report together with the financial statements for the year ended June 30, 2019, which show the state of Olkejuado Water and Sewerage Company affairs.

#### Principal activities

The principal activities of Olkejuado Water and Sewerage Company are to provide safe and reliable water services to customers.

#### Results

The results of Olkejuado Water and Sewerage Company entity for the year ended June 30, 2019 are set out on page 2-23.

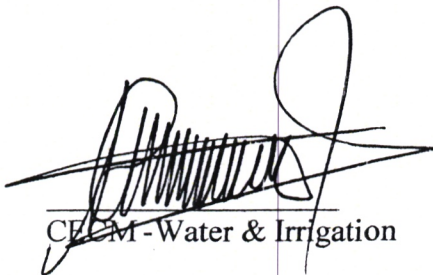
	2019 Kshs.	2018 Kshs
Profit/ (Loss) for the year	(5,162,776)	(5,007,405)

#### Directors

The company did not have the Board of Directors during the financial year 2018/2019.

#### Auditors

The Auditor General is responsible for the statutory audit of Olkejuado Water and Sewerage in accordance with the Section 39 of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.



CECM-Water & Irrigation

29/01/2020

# Olkejuado Water and Sewerage Co. Ltd

## Reports and Financial Statements

### For the year ended June 30, 2019

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 192 of the Public Finance Management Act, 2012 and Act, require the Directors to prepare financial statements in respect of that Olkejuado Water and Sewerage Company Limited, which give a true and fair view of the state of affairs of the Olkejuado Water and Sewerage Company Limited at the end of the financial year/period and the operating results of the Olkejuado Water and Sewerage Company Limited for that year/period. The Directors are also required to ensure that Olkejuado Water and Sewerage Company Limited keeps proper accounting records which disclose with reasonable accuracy the financial position of Olkejuado Water and Sewerage Company Limited. The Directors are also responsible for safeguarding the assets of the Olkejuado Water and Sewerage Company Limited.

The Directors are responsible for the preparation and presentation of Olkejuado Water and Sewerage Company Limited's financial statements, which give a true and fair view of the state of affairs of the of Olkejuado Water and Sewerage Company Limited for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes:

- i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv) Safeguarding the assets of the Olkejuado Water and Sewerage Company Limited;
- v) Selecting and applying appropriate accounting policies; and
- vi) Making accounting estimates that are reasonable in the circumstances.

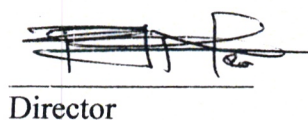
The Directors accept responsibility for Olkejuado Water and Sewerage Company Limited's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act.

#### Approval of the financial statements

The **OWASCO** financial statements were approved by the Board on **29/01/ 2020** and signed on its behalf by:



Director



Director

Director

# REPUBLIC OF KENYA

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



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

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

---

### REPORT ON THE FINANCIAL STATEMENTS

#### **Adverse Opinion**

I have audited the accompanying financial statements of Olkejuado Water and Sewerage Company Limited set out on pages 1 to 22, which comprise the statement of financial position as at 30 June, 2019, and the statement of comprehensive income, statement of changes in equity, statement of cash flows, statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Olkejuado Water and Sewerage Company Limited as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and do not comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

#### **Basis for Adverse Opinion**

##### **1. Undisclosed Property, Plant and Equipment**

The statement of financial position reflects a property, plant and equipment balance of Kshs.19,139,113 as at 30 June, 2019. However, the Company had other assets of undetermined value including land and source works that were used in revenue generation but which were not included in the reported property, plant and equipment balance. Further, the asset's valuation report and the updated fixed assets register were not provided for audit verification.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.19,139,133 as at 30 June, 2019 could not be confirmed.

## 2. Unsupported Miscellaneous Income

The statement of comprehensive income reflects a miscellaneous income of Kshs.3,819,171 which, as disclosed in Note 6(b) to the financial statements, includes an amount of Kshs.3,522,570 from tankering. However, supporting documents showing the tankers involved, dates, trips made, amount charged, amount banked and daily meter readings from the draw points were not provided.

Consequently, the accuracy and completeness of miscellaneous income of Kshs.3,522,570 could not be confirmed.

## 3. Inaccurate Financial Statements

### a) Staff costs

The statement of comprehensive income reflects an expenditure of Kshs.13,883,940 under staff costs which, as disclosed in Note 7 (b)(i) to the financial statements, includes salaries of permanent staff of Kshs.9,503,000 and casual wages for one-year of Kshs.825,090. However, the supporting schedules provided reflected amounts of Kshs.10,004,840 and Kshs.794,700 for permanent staff and casual wages for one-year respectively, resulting into an unexplained total variance of Kshs.471,450.

### b) Differences in the Comparative Balances

The comparative balances reflected in the financial statements for the year ended 30 June, 2019 were at variance with the balances reflected in the audited financial statements for the year ended 30 June, 2018 as follows:

Financial Statement	Item	2018/2019 Financial Statement Comparative Balance (Kshs.)	2017/2018 Audited Financial Statements Balance (Kshs.)	Variance (Kshs.)
Statement of Comprehensive Income	Miscellaneous Income	4,718,567	4,738,567	(20,000)
	Administrative Expenses	5,886,327	5,862,327	24,000
	Staff Costs	14,406,007	12,595,417	1,810,590
	Operating costs	7,953,131	7,318,968	634,163
Statement of Financial Position	Trade and Other Payables	72,413,447	69,944,694	2,468,753
	Retained Earnings	(25,125,334)	(22,636,581)	(2,488,753)
Statement of Cashflows	Cash Generated from Operations	(427,394)	(407,394)	(20,000)

In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2019 could not be confirmed.

#### **4. Trade and Other Receivables-Unsupported Outstanding Imprest**

The statement of financial position reflects a balance of Kshs.29,253,057 in respect of trade and other receivables which differed with the balance of Kshs.29,255,057 reflected in Note 9 (a) to the financial statements by Kshs.2,000. Further, the receivables balance included an outstanding imprest of Kshs.1,036,444. However, records to support the imprest balance were not provided for audit.

In the circumstances, the completeness and accuracy of outstanding imprest of Kshs.1,036,444 included in trade and other receivables could not be confirmed.

#### **5. Unsupported and Unauthorized Payments**

The statement of comprehensive income reflects expenditures of Kshs.3,604,221 and Kshs.7,372,872 under administrative costs and operational costs, respectively. However, expenditure amounting to Kshs.1,783,158 and Kshs.52,000 relating to administrative costs and operational costs respectively, were not adequately supported with documents such as work tickets, approvals for the journeys and other receipts. The payment vouchers were also not authorized.

In the circumstances, the accuracy and validity of the expenditure could not be confirmed.

#### **6. Incorrect Water Sales Revenue**

The statement of comprehensive income reflects a balance of Kshs.12,386,014 in respect of water sales revenue which differed with the revenue balance of Kshs.12,314,014 reflected in the report extracts from the billing system and the accompanying schedules resulting into an unreconciled variance of Kshs.71,910.

Consequently, the accuracy and completeness of the water revenue of Kshs.12,386,014 could not be confirmed.

#### **7. Format of the Financial Statements**

The progress on follow-up of auditor recommendations was not provided in the financial statements as required by the financial reporting guidelines issued by Public Sector Accounting Standards Board (PSASB). Further, the Management presented the statement of comprehensive income instead of the statement of profit or loss and other comprehensive income as required under IAS 1 – Presentation of Financial Statements.

#### **8. Failure to Disclose Material Uncertainty in Relation to Going Concern**

The Company reported a loss of Kshs.5,162,776 (2018 loss: Kshs.5,007,405). The retained earnings also reduced further from the negative balance of Kshs.25,125,334 reported as at 30 June, 2018 to the negative balance Kshs.30,287,956 as at 30 June, 2019. Further, the current liabilities of Kshs.78,563,910 exceed the current

assets of Kshs.29,307,071 resulting to a negative working capital of Kshs.49,256,839. The Company was therefore not able to settle its financial obligations as they fall due.

In the circumstances, the Company is technically insolvent its ability to sustain services is in doubt. The material uncertainty relating to going concern has not been disclosed in the financial statements.

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

### **Key Audit Matters**

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

### **Other Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects budgeted revenue and actual revenue on comparable basis of Kshs.24,960,000 and Kshs.21,083,664 respectively resulting into an unreconciled variance of Kshs.3,876,336. Similarly, the statement reflects budgeted expenditure and actual expenditure of Kshs.30,432,500 and Kshs.26,246,440 respectively resulting into an unreconciled variance of Kshs.4,186,060 or 14%. The under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public. Further, the approval of the budget by the Board and the County Treasury was not provided.

In addition, the total actual expenditure of Kshs.25,870,440 shown in the statements differed with the recomputed total of Kshs.26,246,440 resulting into an unreconciled variance of Kshs.376,000.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, because of the significance of the matters described in the Basis for Adverse Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk

Management and Governance sections of my report, I confirm that, that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1. Human Resource**

Review of human resource records revealed that the Company employed a Billing Officer, a Driver and a Commercial Assistant. However, no evidence was provided that the positions were advertised and that the selection process was competitive. Further, the Board's approval for filling the vacant positions was not provided for audit verification. In addition, the scheme of service and the approved staff establishment of the Company was not provided for audit review. The regularity of the appointments could therefore not be confirmed.

### **2. Operating License**

The operating license required for the supply of water by the Company was not provided for audit. Therefore, the audit could not confirm whether the Company had met the basic requirement to be a water service provider and whether the Company was operating with a valid license as required by the Water Act, 2016.

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, because of the significance of the matters described in the Basis for Adverse Opinion, the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that, internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

### **1. Board of Directors**

As disclosed in the Corporate Governance Statement, the Company operated without a functional Board of Directors during the year ended 30 June, 2019. The term of the Company's Board of Directors lapsed on 31 October, 2015, except for two representatives

of Kajiado County Government and the Managing Director. This state of affairs impacted negatively on the governance and management oversight. As a result, the requisite Committees for proper functioning of the Company including the Board's Audit Committee had not been put in place. This is contrary to Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015.

## **2. Lack of a Risk Management Policy**

The Company did not have a Risk Management Policy. This is in breach of Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 that requires an Accounting Officer to ensure that an entity develops a risk management strategy, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations. Therefore, the Company did not have a framework for management of risk and hence it was not possible to identify, assess and control risk.

## **3. Internal Audit Function**

Regulation 153(1) of Public Finance Management (County Governments) Regulations, 2015 provides the mandate of internal auditors. However, although, the Internal Audit Department of the Company had existed for a number of years, no internal audit reports were provided for review. It could, therefore, not be confirmed whether the internal auditors executed their mandate and complied with professional standards and code of ethics as required in law.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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.

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

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

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of intention to liquidate the Company or 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 are also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

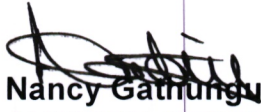
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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

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

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

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

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



**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**27 August, 2021**

**Olkejuado Water and Sewerage Co. Ltd**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**STATEMENT OF COMPREHENSIVE INCOME**


		<b>2019</b>	<b>2018</b>
<b>REVENUE</b>	<b>NOTES</b>	<b>KSHS</b>	<b>KSHS</b>
Water sales	<b>6. a</b>	12,386,014	16,123,031
Miscellaneous income	<b>6.b</b>	3,819,171	4,718,567
Government grant	<b>6.c</b>	4,735,529	3,156,863
Drought Mitigation Program	<b>6.d</b>	-	1,000,000
Other Income	<b>6.d</b>	142,950	-
<b>TOTAL REVENUE</b>		<b>21,083,664</b>	<b>24,998,461</b>
<b>EXPENDITURE</b>			
Administrative expenses	<b>7.a</b>	3,604,221	5,886,327
Staff costs	<b>7.b(i)</b>	13,883,940	14,406,007
Operational costs	<b>7.c</b>	7,372,872	7,953,131
Lease fees and Statutory Fees	<b>7.d</b>	1,385,407	1,760,401
<b>TOTAL EXPENDITURE</b>		<b>26,246,440</b>	<b>30,005,866</b>
<b>Taxaion Charge</b>		<b>-</b>	<b>-</b>
<b>NET PROFIT (LOSS) FOR THE YEAR</b>		<b>(5,162,776)</b>	<b>(5,007,405)</b>

**Olkejuado Water and Sewerage Co. Ltd**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

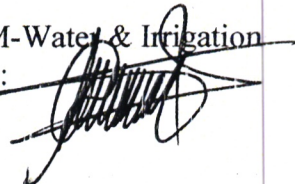
**STATEMENT OF FINANCIAL POSITION**

<b>ASSETS</b>		<b>2019</b>	<b>2018</b>
	<b>NOTES</b>	<b>KSHS</b>	<b>KSHS</b>
<b>NON CURRENT ASSETS</b>	<b>8</b>	<b>19,139,113</b>	<b>19,153,226</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	<b>9(a)</b>	29,253,057	27,690,027
Cash & Cash Equivalents	<b>10</b>	54,014	445,346
<b>Total Current Assets</b>		<b>29,307,071</b>	<b>28,135,373</b>
<b>TOTAL ASSETS</b>		<b>48,446,184</b>	<b>47,288,599</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	<b>12</b>	40	40
Retained Earnings		(30,287,956)	(25,125,334)
Net Accumulated Fund		<b>(30,287,916)</b>	<b>(25,125,294)</b>
<b>CURRENT LIABILITIES</b>			
Trade and other Payables	<b>13</b>	78,563,910	72,413,447
Bank Overdraft	<b>11</b>	170,190	446
<b>Total Liabilities</b>		<b>78,734,100</b>	<b>72,413,893</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>48,446,184</b>	<b>47,288,599</b>

The financial statements were approved by the Board on 29/01/ 2020 and signed on its behalf by:

  
 Managing Director  
 Name: ALIERO  
 P JUMA

Finance & Administration Manager  
 Name: Abner Nyagwaga  
 ICPAK M/NO: 19987

CECM-Water & Irrigation  
 Name: 

**Olkejuado Water and Sewerage Co. Ltd**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**STATEMENT OF CHANGES IN EQUITY**

	<b>Ordinary Share capital Kshs.</b>	<b>Retained Earnings Kshs.</b>	<b>Toatal Equity Kshs.</b>
			-
<b>Balance as at 1st July 2017</b>	<b>40</b>	<b>(20,117,929)</b>	<b>(20,117,889)</b>
Prior year Adjustment	-	-	-
			-
<b>Adjusted Balance Brought Forward</b>	<b>40</b>	<b>(20,117,929)</b>	<b>(20,117,889)</b>
Net profit (Loss) for the year	-	(5,007,405)	(5,007,405)
<b>Balance as at 30th June 2018</b>	<b>40</b>	<b>(25,125,334)</b>	<b>(25,125,294)</b>
<b>Balance as at 1st July 2018</b>	<b>40</b>	<b>(25,125,334)</b>	<b>(25,125,294)</b>
			-
Prior year Adjustment	-	153	153
<b>Adjusted Balance Brought Forward</b>	<b>40</b>	<b>(25,125,181)</b>	<b>(25,125,141)</b>
Net profit (Loss) for the year	-	(5,162,776)	(5,162,776)
<b>Balance as at 30th June 2019</b>	<b>40</b>	<b>(30,128,956)</b>	<b>( 30,287,916)</b>

**Olkejuado Water and Sewerage Co. Ltd**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**STATEMENT OF CASH FLOWS**

	Note	2019	2018
		Kshs	Kshs
<b>OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations	14	(391,485)	(427,394)
<b>Net Cash generated from/(used in) operating activities</b>		<b>(391,485)</b>	<b>(427,394)</b>
<b>INVESTING ACTIVITIES</b>		-	-
<b>FINANCING ACTIVITIES</b>		-	-
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT</b>		<b>(391,485)</b>	<b>(427,394)</b>
Prior year adjustment		153	-
<b>CASH AND CASH EQU AT THE BEGINNING OF THE YEAR</b>		<b>445,346</b>	<b>872,740</b>
<b>CASH AND CASH EQUIVALENT AT THE END OF THE YEAR</b>		<b>54,014</b>	<b>445,346</b>

**Olkejuado Water and Sewerage Co. Ltd**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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

	<b>Original</b>		<b>Final</b>	<b>Actual on</b>	<b>Performance</b>
	<b>budget</b>	<b>Adj</b>	<b>budget</b>	<b>comp basis</b>	<b>difference</b>
	<b>2018-2019</b>	<b>2018-2019</b>	<b>2018-2019</b>	<b>2018-2019</b>	<b>2018-2019</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Revenue</b>					
Water sales	16,200,000	-	16,200,000	12,386,014	(3,813,986)
Miscellaneous income	5,160,000	-	5,160,000	3,819,171	(1,340,829)
Government grant	3,600,000	-	3,600,000	4,735,529	1,135,529
Other income	-	-	-	142,950	142,950
<b>Total income</b>	<b>24,960,000</b>	<b>-</b>	<b>24,960,000</b>	<b>21,083,664</b>	<b>- 3,876,336</b>
<b>Expenses</b>					
Administrative Costs	5,890,500	-	5,890,500	3,604,221	2,286,279
Staff costs	14,412,000	-	14,412,000	13,883,940	528,060
Operational Costs	8,630,000	-	8,630,000	7,372,872	1,257,128
Lease and Statutory Fees	1,500,000	-	1,500,000	1,385,407	114,593
<b>Total expenditure</b>	<b>30,432,500</b>	<b>-</b>	<b>30,432,500</b>	<b>25,870,440</b>	<b>4,562,060</b>
<b>Surplus for the period</b>	<b>(5,472,500)</b>	<b>-</b>	<b>(5,472,500)</b>	<b>(4,786,776)</b>	<b>685,724</b>

**Budget Notes**

- i. Revenue from water sale decreased due to low production since water sources level also decreased
- ii. Revenue from miscellaneous decreased due low collection of connection fees from new customers at Kajiado town.
- iii. During the financial year 2018/2019 the company did not receive much of grants from the County Government of Kajiado and Tanathi water service board since part of the Electricity Bills were paid by the company.
- iv. The operational cost increased due to high cost of maintenance of worn out water supply system and repairs of water tankers which broke down frequently

# **Olkejuado Water and Sewerage Co. Ltd**

## **Reports and Financial Statements**

### **For the year ended June 30, 2019**

#### **NOTES TO THE FINANCIAL STATEMENTS**

##### **1. GENERAL INFORMATION**

Olkejuado Water & Sewerage Co. Ltd is established by and derives its authority and accountability from 2002 Act. The Company is wholly owned by the County Government of Kajiado and is domiciled in Kenya. The Owasco's principal activity is to carry on the business of water and sewerage within the towns of Ilbissil, Isinya, Konza, Kajiado, Kitengela and its 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 and liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Owasco's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Olkejuado Water and Sewerage Company and all values are rounded to the nearest thousand.

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

##### **3. ADOPTION OF NEW AND REVISED STANDARDS**

###### **i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019**

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.

###### **ii. Early adoption of standards**

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

##### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

###### **a. Revenue recognition**

Revenue is recognised to the extent that it is probable that future economic benefits will flow to applying Olkejuado Water & sewerage Company and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of applying Olkejuado Water & sewerage Company's activities, where applicable, and when

# Olkejuado Water and Sewerage Co. Ltd

## Reports and Financial Statements

### For the year ended June 30, 2019

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

specific criteria have been met for each of the applying Olkejuado Water & sewerage Company's activities as described below.

- i) **Revenue from the sale of Water** is recognised in the year in which the Olkejuado Water & sewerage Company supplies water to the customer, bills the customer and collectability of the related receivables is reasonably assured.
- ii) **Grants from the County Government** is recognised in the year in which applying Olkejuado Water & sewerage Company actually receives such grants.
- iii) **Other income** is recognised as it accrues.

#### **b. In-kind contributions**

In-kind contributions are donations that are made to applying Olkejuado Water & sewerage Company in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, applying Olkejuado Water & sewerage 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.

#### **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-evaluation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers

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

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

#### **d. Depreciation and impairment of property, plant and equipment**

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

Depreciation on property, plant and equipment is recognised in the income statement on 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:

# Olkejuado Water and Sewerage Co. Ltd

## Reports and Financial Statements

### For the year ended June 30, 2019

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

Computers and related equipment	20%
Office equipment, furniture and fittings	12.5%

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

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

#### e. Trade and other receivables

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

#### f. Taxation

##### Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

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

##### Deferred tax

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

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

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

8

# Olkejuado Water and Sewerage Co. Ltd

## Reports and Financial Statements

### For the year ended June 30, 2019

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

Interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

#### **g. Cash and cash equivalents**

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

#### **h. Trade and other payables**

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

#### **i. Retirement benefit obligations**

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 Kshs.200 per employee per month.

#### **j. Budget information**

The original budget for FY 2018-2019 was not approved by the Board of Directors on 30 June, 2019 since the company had not appointed the Board members.

# Olkejuado Water and Sewerage Co. Ltd

## Reports and Financial Statements

### For the year ended June 30, 2019

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

Olkejuado Water & Sewerage Co. Ltd did not recorded additional appropriations on the 2016-2017 budgets.

The financial statements 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 Basis 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 financial

#### k. Comparative figures

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

#### l. Subsequent events

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

#### 5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

State all judgements, estimates and assumptions made: e.g

#### Estimates and assumptions

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

# Olkejuado Water and Sewerage Co. Ltd

## Reports and Financial Statements

### For the year ended June 30, 2019

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

##### 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 Olkejuado Water & sewerage 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
- Changes in the market in relation to the asset

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 9(b).

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.

**Olkejuado Water and Sewerage Co. Ltd**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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

**6. REVENUE**

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>a) Water sales</b>	12,386,014	16,123,031
	<b>12,386,014</b>	<b>16,123,031</b>

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>b) Misceleneous Income</b>		
Tankering	3,522,570	4,305,455
Connection/Reconnection Fees	296,601	413,112
	<b>3,819,171</b>	<b>4,718,567</b>

<b>c) Government Grant from Tanathi WSB and County</b>	<b>2019</b>	<b>2018</b>
<b>Government of Kajiado</b>	<b>Kshs</b>	<b>Kshs</b>
County Government Salary for seconded staff	818,160	477,260
Electricity paid by the County Government/Tanathi WSB	3,917,369	2,679,603
	<b>4,735,529</b>	<b>3,156,863</b>

	<b>2019</b>	<b>2018</b>
<b>d) Drought Mitigation Program Funds</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Tanathi WSB Funds</b>	-	1,000,000

This refers to the National Government program through Tanathi WSB. The channelled funds is strictly utilised towards supplying of water to the public schools, Communities and hospitals that are affected by drought

<b>e) Other incomes</b>	<b>Kshs</b>	<b>Kshs</b>
<b>KERRA</b>	<b>142,950</b>	-

This refers to the Money which was paid by KERRA to pay staff who were surveying Isinya- Ngong Pipeline for Relocation

**Olkejuado Water and Sewerage Co. Ltd**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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

**7. EXPENDITURE**

	<b>2019</b>	<b>2018</b>
<b>a) Administrative Costs</b>	<b>Kshs</b>	<b>Kshs</b>
Provision for bad debts	165,000	975,184
Travelling	372,734	1,218,400
Fuel and gases	1,327,500	1,796,896
Billing services/Billing unit	120,000	552,060
Billing Services/SMS	-	1,000
Bank charges	143,030	124,107
Telephone & Postage	-	13,910
Transport	1,081,010	832,496
Audit fees	174,000	174,000
Official entertainment	-	10,800
Office stationery	159,205	111,095
Insurance	7,534	20,560
General office running expense	5,020	39,672
Depreciation	14,113	16,147
Advertisement	35,074	-
	<b>3,604,221</b>	<b>5,886,327</b>

**Olkejuado Water and Sewerage Co. Ltd**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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

	<b>2019</b>	<b>2018</b>
<b>b)(i) Staff Costs</b>	<b>Kshs</b>	<b>Kshs</b>
Salaries Permanent	9,503,000	11,602,000
Salaries Contract	1,741,500	682,000
Top up of CGOK employee Ag. MD	501,840	271,830
Salaries and Allowances for CGOK employee	818,160	477,260
Casual wages One year	825,090	820,917
Casual wages Daily	22,350	41,200
Compulsory National Social Security Scheme	52,000	47,800
Other Pension Contribution-NWC	420,000	456,000
Staff Welfare	-	7,000
	<b>13,883,940</b>	<b>14,406,007</b>

<b>b)(ii) The av number of employees at the end of the year</b>	<b>2019</b>	<b>2018</b>
Permanent employees – Management	6	6
Permanent employees – Unionisable	14	14
Temporary and contract employees	12	11
<b>Total Staff</b>	<b><u>32</u></b>	<b><u>31</u></b>

	<b>2019</b>	<b>2018</b>
<b>c) Operational Cost</b>	<b>Kshs</b>	<b>Kshs</b>
Bulk water	14,120	-
Supplies for production	2,500	5,100
Maintenance of water supply	818,580	1,006,992
Electricity	6,537,672	6,941,039
	<b>7,372,872</b>	<b>7,953,131</b>

**Olkejuado Water and Sewerage Co. Ltd**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>d) Lease and other Statutory fees</b>		
Licensee Remuneration	1,114,742	1,451,073
Regulatory Fees	123,860	161,230
Permit and Abstraction fees	146,805	148,098
	<b>1,385,407</b>	<b>1,760,401</b>

**Olkejuado Water and Sewerage Co. Ltd**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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

<b>8. Property plant &amp; Equipment</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Cost</b>	<b>Furniture</b>	<b>Equipment</b>	<b>Computer</b>	<b>WIP</b>	<b>Total</b>
As at 01/07/2018	161,225	392,925	11,750	19,040,803	19,606,703
Addition	-	-	-	-	-
<b>As at 30/6/2019</b>	<b>161,225</b>	<b>392,925</b>	<b>11,750</b>	<b>19,040,803</b>	<b>19,606,703</b>
<b>Depreciation</b>					
As at 01/07/2018	128,751	313,783	10,943	-	453,477
Charge for the year	4,059	9,893	161	-	14,113
<b>As at 30/6/2019</b>	<b>132,810</b>	<b>323,676</b>	<b>11,104</b>	<b>-</b>	<b>467,591</b>
<b>Net book value</b>					
As at 30/6/2019	28,415	69,249	646	19,040,803	19,139,113
As at 30/6/2018	32,474	79,142	807	-	19,153,226

**Olkejuado Water and Sewerage Co. Ltd**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>9.(a) Trade and other Receivables</b>		
Trade receivables (4 b)	28,218,613	26,653,583
Prepaid Electricity		-
Unsurrendered Imprest	1,036,444	1,036,444
<b>Total receivables</b>	<b>29,255,057</b>	<b>27,690,027</b>

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>9.(b) Trade Receivables</b>		
Trade receivables	33,795,668	32,985,993
Less: provision for bad debts Note 4 (c)	(6,497,410)	(6,332,410)
<b>Total receivables</b>	<b>27,298,258</b>	<b>26,653,583</b>

At June 30, the ageing analysis of the gross trade receivables was :

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Less than 30 days	-	-
Between 30 and 60 days	1,501,155	1,501,155
Between 60 and 90 days	1,501,155	1,501,155
Between 90 and 120 days	1,842,520	1,842,520
Between 120 and 150 days	1,024,300	1,024,300
Between 150 and 180 days	1,160,685	1,160,685
Over 180 days	25,989,640	25,329,640
	<b>33,019,455</b>	<b>32,359,455</b>

Provision is provided of 25% for Gross receivable of more than 180 days

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>10. CASH AND CASH EQUIVALENTS</b>		
Cash at bank Tankering Account-00	19,624	141,773
Cash at bank Revenue Account-01	9,400	102,419
Cash at bank Expenditure Account-02	-	466.00
Cash at bank Deposit Account-03	-	6,227.00
Cash at bank Drought Mitigation Account-05	-	1,856
Paybill for Tankering Collection 72	3,990	78,605
Paybill for Water sale Collection 71	11,000	108,000
Paybill for Connections and deposits Collection 69	10,000	6,000
	<b>54,014</b>	<b>445,346</b>

**Olkejuado Water and Sewerage Co. Ltd**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>11. BANK OVER DRAFT</b>		
Cash at bank Expenditure Account	169,026	-
Cash at bank Isinya UPC Account	1,164	446
	<b>170,190</b>	<b>446</b>

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>12. SHARE CAPITAL</b>		
The total authorised share capital is Kshs. 100,000 and par value per share is Kshs.20		
Authorised number of shares	100,000	100,000
Number of shares issued	40	40

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>13. TRADE AND OTHER PAYABLES</b>		
Trade and other payables	78,189,910	72,413,447
	<b>78,189,910</b>	<b>72,413,447</b>

<b>14. Reconciliation of cash generated from operations</b>	<b>Kshs</b>	<b>Kshs</b>
Operating loss	(4,786,776)	(5,007,403)
Add: Depreciation	14,113	16,147
<b>Operating profit/Loss before working Capital</b>	<b>(4,772,662)</b>	<b>(4,991,258)</b>
(Increase)decrease in Trade and other receivables	(1,565,030)	(4,959,987)
(Increase)decrease in Trade and other payables	5,776,463	9,553,278
(Increase)decrease in other payables(negative Bank Balance)	169,744	(29,427)
<b>Cash generated from operations</b>	<b>(391,485)</b>	<b>(427,394)</b>

**Olkejuado Water and Sewerage Co. Ltd**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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

**FINANCIAL RISK MANAGEMENT**

Olkejuado Water & Sewerage Co. Ltd activities expose its activities to credit and liquidity risks. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

**Credit risk Management**

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents and trade and other receivables.

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.

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>At 30 June 2019</b>				
Receivables from Billing of water	33,019,455	7,029,815	25,989,640	6,697,410
Bank balances	54,014	54,014	-	-
<b>Total</b>	<b>33,073,469</b>	<b>7,083,829</b>	<b>25,989,640</b>	<b>6,697,410</b>

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.

**ii) Liquidity risk management**

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

**Olkejuado Water and Sewerage Co. Ltd**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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

<b>Liquidity Risk Analysis</b>	<b>2018</b>	<b>2018</b>
	<b>kshs</b>	<b>kshs</b>
Accounts Receivable	29,255,057	27,690,027
Cash and Cash Equivalent	54,014	465,346
	<b>29,309,071</b>	<b>28,155,373</b>
Trade and other payables	78,189,910	69,944,694
	<b>(48,880,839)</b>	<b>(41,787,767)</b>

	<b>2019</b>	<b>2018</b>
<b>16. TAX RECONCILIATION STATEMENT</b>	<b>kshs</b>	<b>kshs</b>
Net profit before tax	( 4,786,776)	( 5,007,403)
Add Non Cash expense	14,113	16,147
Tax	-	-
Loss After tax	<b>( 4,772,662)</b>	<b>( 4,959,987)</b>

**17. RETIREMENT BENEFIT OBLIGATIONS**

Olkejuado water & Sewerage Company contributes to the National water & Pipeline Scheme (NWC Pension) for 8No full-time employees from during the financial year 2018/2019. The scheme is based on flat figure of salary of an employee as determined by the initial employer NWPC. The liability at the end of the year is as follows:

	<b>2019</b>	<b>2019</b>
	<b>kshs</b>	<b>kshs</b>
Balance at the beginning of the year	7,120,065	6,572,865
Changes during the year- Employee	73,200	91,200
Changes during the year -Employer	420,000	456,000
Balance at end of the year	<b>7,613,265</b>	<b>7,120,065</b>

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 Kshs.200 per employee per month.

<b>18. PROVISION FOR LEAVE PAY</b>	<b>2019</b>	<b>2018</b>
	<b>kshs</b>	<b>kshs</b>
Balance at beginning of the year	-	-
Additional provision at end of year	-	-
Leave paid out or utilised during the year	-	-
<b>Balance at end of the year</b>	<b>-</b>	<b>-</b>

**Olkejuado Water and Sewerage Co. Ltd**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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

**19. RELATED PARTY DISCLOSURES**

The County Government of Kajiado is the principal shareholder of Olkejuado Water & Sewerage Co. Ltd, holding 100% of OWASCO's Share.

Other related parties include:

- i) The Ministry of Water & Irrigation
- ii) County Government of Kajiado
- iii) Tanathi Water Service Board
- iv) Water Service Regulatory Board
- v) Water Resources Management Authority
- vi) Key management

**Transactions with related parties**

**a) Grants from the Government**

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
County Government Salary for seconded staff	818,160	477,260
Electricity paid by the County Government/Tanathi WSB	3,917,369	2,679,603
<b>Sub-Total</b>	<b>4,735,529</b>	<b>3,156,863</b>

**b) Expenses incurred on the related party**

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Lease and other Statutory fees</b>		
Licensee Remuneration to Tanathi WSB	1,114,742	1,451,073
Regulatory Fees to WASREB	123,860	161,230
Permit and Abstraction fees to WARMA	146,805	148,098
<b>Sub-Total</b>	<b>1,385,407</b>	<b>1,314,467</b>

**c) Directors and Key management compensation**

	<b>2019</b>	<b>2018</b>
	<b>kshs</b>	<b>kshs</b>
Compensation to the Managing Director	501,840	876,830
Compensation to the Key Management staff	2,800,000	5,784,830
<b>Sub Total</b>	<b>3,301,840</b>	<b>6,661,660</b>

**Olkejuado Water and Sewerage Co. Ltd**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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

	<b>2019</b>	<b>2018</b>
<b>20. TAX RECONCILIATION STATEMENT</b>	<b>kshs</b>	<b>kshs</b>
Net profit before tax	( 4,786,776)	( 5,007,403)
Add Non Cash expense	14,113	16,147
Tax	-	-
Loss After tax	<b>( 4,772,662)</b>	<b>( 4,959,987)</b>

<b>22. a) CURRENT TAXATION</b>	<b>2019</b>	<b>2018</b>
	<b>kshs</b>	<b>kshs</b>
Current taxation based on the adjusted profit for the year at 30%	-	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
	-	-

<b>21. b) DEFERRED TAX LIABILITY</b>	<b>2018</b>	<b>2017</b>
Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:		
Tax losses carried forward	( 4,786,776)	( 5,007,403)
Provisions for liabilities and charges	0.00	0.00
Net deferred tax liability	<b><u>0.00</u></b>	<b><u>0.00</u></b>

**22. INCORPORATION**

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

**23. EVENTS AFTER THE REPORTING PERIOD**

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

**24. CURRENCY**

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