

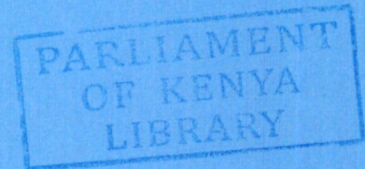
REPUBLIC OF KENYA



*Enhancing Accountability*

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**REPORT**



**OF**

**THE AUDITOR-GENERAL**

**ON**

**OLOOLAISER WATER AND  
SEWERAGE COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2022**





Oololaiser Water

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

24 MAR 2023

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*OLOOLAISER WATER AND SEWERAGE COMPANY LIMITED*

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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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, 2022**

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**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**Table of Contents**

**Page**

I. Key Entity Information .....	iv-v
II. The Board of Directors.....	vi-vii
III. Management Team.....	viii
IV. Chairman’s Statement .....	ix
V. Report Of the Managing Director .....	x
VI. Statement Of Performance Against Predetermined Objectives for FY 2021/2022 .....	xi-xii
VII. Corporate Governance Statement.....	xiii
VIII. Management Discussion and Analysis.....	xiii
IX. Environmental And Sustainability Reporting .....	xiv-xv
X. Report Of the Directors.....	xvi
XI. Statement Of Directors’ Responsibilities.....	xvii-xviii
XII. Report Of the Independent Auditors .....	xix
XIII. Statement of Profit or Loss and Other Comprehensive income.....	1
XIV. Statement Of Financial Position As at 30 June 2022.....	2
XV. Statement Of Changes In Equity For The Year Ended 30 June 2022.....	3
XVI. Statement Of Cash Flows for The Year Ended 30 June 2022.....	4
XVII. Statement Of Comparison of Budget & Actual Amounts for The Year Ended 30 June 2022 .....	5-6
XVIII. Notes To the Financial Statements.....	7-31
XIX. Appendices.....	32-34

## **I. 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 and reliable water services to customers.

### **Vision**

To be the industry leader in provision of water and sewerage services in Kenya.

### **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. | Dickson Ntikoisa   | - Managing Director                             | - Appointed on .... June 2019 |
| 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. | Florence Waiganjo  | - CECM Water, Environment and Natural Resources |                               |
| 8. | Michael Semera     | - CECM Finance and Economic Planning            |                               |

### **Corporate Secretary**

Wanjau and Wanjau 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  
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

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**II. 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. D.o.B: 1974</li> <li>4. Qualification: Bachelor of 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. D.o.B: 1991</li> <li>4. Qualification: Bachelor of Business Information Technology.</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 Committee</li> <li>3. D.o.B: 1955</li> <li>4. Qualification: BSC in Business Administration (Finance and Accounting)</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>6. Name: Joan Metian</li> <li>7. Position: Chair Audit Committee</li> <li>8. D.o.B: 1990</li> <li>9. Qualification: MBA in Business administration and Bachelor's degree in commerce.</li> <li>10. Work Experience: Has vast experience in finance sector having worked with private institutions.</li> </ol>

**Ololaiser Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

5.		<ol style="list-style-type: none"> <li>1. Name: Purity Simaloi</li> <li>2. Position: Chair Finance Committee</li> <li>3. D.o.B: 1993</li> <li>4. Qualification: Bachelor's degree in commerce</li> <li>5. Work Experience: Has vast experience in finance and administration</li> </ol>
6.		<ol style="list-style-type: none"> <li>1. Name: Florence Waiganjo</li> <li>2. Position: CECM water and irrigation Kajiado County</li> <li>3. D.o.B: 1976</li> <li>4. Qualification: Bachelor's degree in administration</li> <li>5. Work Experience: Over 15 years work experience in private and public sectors</li> </ol>
7.		<ol style="list-style-type: none"> <li>1. Name: Michael Semera (CECM Finance and Economic planning Kajiado County Gvt)</li> <li>2. Position: Member</li> <li>3. DoB: 1970</li> <li>4. Qualification: Bachelor of accounting</li> <li>5. Work Experience: Over 20 years of experience in banking Industry.</li> </ol>
8.		<ol style="list-style-type: none"> <li>1. Name: Dickson Ntikoisa</li> <li>2. Position: Managing Director</li> <li>3. DoB: 1962</li> <li>4. Academic Qualification: BSC Civil Engineering</li> <li>5. Over 28 Years of experience</li> </ol>

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**III. Management Team**

	<ol style="list-style-type: none"> <li>1. Name: Dickson Ntikoisa</li> <li>2. Position: Managing Director</li> <li>3. Academic Qualification: BSC Civil Engineering</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 in project 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: Kelly Marina</li> <li>2. Position: Procurement Officer</li> <li>3. Academic Qualification: BBM (Purchasing and Supplies Management), Advanced Dip in Logistics and Transport, Member of KISM</li> </ol>
	<ol style="list-style-type: none"> <li>1. Name: Regina Mutunga</li> <li>2. Position: Internal Auditor</li> <li>3. Academic Qualification: C.P.A (K), Member of ICPAK.</li> </ol>

#### **IV. CHAIRMAN'S STATEMENT**

On behalf of the Board, I am encouraged by the integrity, responsiveness and absolute 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 30th June 2022.

The company's mission is to provide water and render 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 degraded infrastructure, limitation of the pipeline coverage, water losses which come with high costs of operations and maintenance, exceeding the generated revenue. 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, such as the Water Sector 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. The Company Board of Directors and management is now focused on implementing new projects to ensure continuous growth.

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 Board 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

Julius R. Kaakua  
**Chairman of the Board**

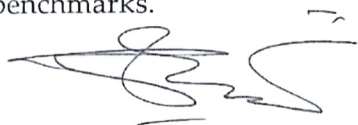


**V. STATEMENT OF THE MANAGING DIRECTOR**

Over the years, Oloolaiser Water and Sewerage Company Limited has always had a clear objective; "To understand and deliver on the needs of our customers, our partners and stakeholders". Our strategic intent is to be the water service provider of choice and thus, we continue to conceptualize and implement programmes aimed at improving our service delivery, efficiency and customer convenience in line with our vision "To be the industry leader and water service provider of choice. Water is a key driver of social-economic development, during the year under review, the Company centered on demand focused distribution of water, albeit inadequate supply, while still ensuring accessibility to all, this enhanced reliability of the service coupled with improved customer service.

The financial year 2021/2022 has been particularly difficult due to high costs especially on some operational costs and the challenge of high Non Revenue Water Levels which the company is fighting after rising from average of 37.55% in the year 2020/2021 to 40% in the current financial year 2021/2022. Challenges of an old dilapidated reticulation networks, poor designs coupled with wrong sizing of pipes and poor class of materials has contributed to physical water loses. Other contributions of water loss has been through poor meter installation techniques, aged consumer meters, wrong meter positioning, meter inefficiencies, incidences of illegal reconnections, meter by passes and water theft. To mitigate against the loss, the company has developed and implemented an aggressive meter testing programme ,meter relocations and meter positioning to within one meter of consumer premises boundary, meter calibration, replacement of pipe sections and spaghetti pipe networks, pressure management and staff training and sensitization on Non-Revenue Water management. The Company has employed security officer to investigate and bring to light every form of illegal connection, an initiative that is bearing fruits. It is anticipated that with continued implementation of strategic actions, the Non-Revenue Water level will progressively reduce to the acceptable sector benchmark.

Despite these difficulties the company has managed to undertake investments on pipeline extension and NRW management with internally generated revenues during the financial year 2021 / 2022. In order to achieve our goal of business growth and contribute towards the social economic transformation of the coverage area, we will continue to direct our focus on expanding the supply network, the customer base, increased sales, improved quality of supply and prudent management of our resources with specific focus of reducing and maintaining the Non-Revenue Water at acceptable levels as per sector benchmarks.



**Dr. Daniel Salau Rogei**  
Managing Director

**VI. Statement of performance against predetermined objectives for FY 2021/2022**

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.

Oololaiser Water and Sewerage Company Limited has 6 strategic pillars and objectives within its Strategic Plan for the FY 2016/2017- 2021/2022. 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

*Oololaiser 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. Oololaiser Water and Sewerage Company Limited achieved its performance targets set for the FY 2021/2022 period for its 6 strategic pillars, as indicated in the diagram below:

<b>Strategic Pillar</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Pillar 1: Water and Sewerage Infrastructure	1. Increase production from 7,500 to 44,000 by 2022	Increase in quantity of water produced	-Sinking of more boreholes	5 boreholes sunk 16 More Boreholes in work in progress Under KFW
	2. Ensure compliance with water quality standards	High water quality for consumption	Water quality tests	Water tests done on a monthly basis
	3. Increase total population served from 51% in 2017 to 60% by 2022	Increase in population served	Expansion of water supplies -Enhance water connection	Increased total population served to 56%.
	4. Enhance waste management	Establishment of decentralized treatment facility	Operationalization of DTF	Ongata Rongai DFT functioning
Pillar 2: Non-Revenue Water	Reduce non-revenue water from 33% in	Reduction of NRW	Quick response to water bursts,	Established an rapid response initiate team to

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

	2017 to 22% in 2022		Enforce policies on illegal connection, Establish NRW unit.	identify all illegal consumptions/connections
Pillar 3: Customer Service	Increase customer satisfaction index from 75% in 2017 to 85% in 2022	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.
Pillar 5: Financial Sustainability	<ol style="list-style-type: none"> <li>Increase annual revenue from 163.7m in 2017 to 621m in 2022</li> <li>Increase collection efficiency from 96% in 2017 to 98% in 2022</li> </ol>	<p>Increase in active connections, Improved revenue</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>
Pillar 6: Institutional Capacity	<ol style="list-style-type: none"> <li>To attract and retain skilled, motivated and productive staff</li> </ol>	Reduction on staff turnover, increased staff motivation	<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>

## **VII. Corporate Governance Statement**

The Board of Directors regard corporate governance as pivotal to the successes of the Company and are unreservedly committed to ensuring that as a public service institution, the Company's decisions are guided by the core tenets as prescribed in the code of conduct. Accordingly, the Board of Directors and the established Committees of the Board regularly evaluate the standard of service so as to continuously deliver on our mandate and remain a sustainable and viable entity. The board was taken for Corporate Governance training during the financial year.

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.

During the Financial year 2021-2022, the caretaker board was replaced by a substantive Board of Directors that was recruited competitively and appointments ratified in the Company's annual general meeting.

## **VIII. 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 that led to the Company operating below its optimum capacity. Dilapidated pipeline led to the Company losing most of its water through leakages, numerous bursts led to shutdown which in turn reduced water available for sale. Destruction of the existing pipeline by various road contractors and effects of COVID-19 also affected the financial performance of the Company.

Currently the Company has ongoing projects in place to help improve the financial stability some of them being a Nairobi Satellite Towns Water and Sanitation project that is being implemented by Athi Water Works Development Agency which is ongoing and is expected to increase the production capacity by 5,000 cubic meters per day through drilling of new boreholes and bulk water from the northern collector. It is also expected to reduce the non-revenue water to below 25%, build offices for the Company which is already completed and other institutional capacity improvement assistance. The Company is also expected to complete Kimuka water project through the conditional liquidity support grant from Water Sector Trust Fund by November 2022 which will bring additional 1,600 cubic meters per day. Through the County Government of Kajiado the Company started the process of feasibility study for solarisation of all of its production sites which is anticipated to reduce cost of production significantly.

**IX. Environmental and sustainability reporting**

*Oololaiser Water and Sewerage Company Limited exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.*

**i) Sustainability strategy and profile -**

The Company is in the process of reviewing its strategic plan which is geared towards improving its services given. In the plan are strategic objectives aimed at the mitigating/reducing some of the negative factors like non-revenue water, employ technology in billing, revenue collection and customer service to improve on accuracy and response to customer enquiries and complains.

**ii) Environmental performance**

The Company seeks to participate and contribute to a cleaner environment and hence involved in community exercises which include clean up exercises especially in towns within its areas of jurisdiction and by so doing reduces impact on 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.

**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)* **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. During the year, the Company provided tanks and water for hand washing in strategic places like markets and bus stops to help in mitigation of COVID-19. The Company aims 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.

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**X. Report of the Directors**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 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, 2022 are set out on pages 1-6

**iii) Dividends**

The company has not declared dividends for the year ended June 30, 2022 due to financial constraints.

**iv) Directors**

The members of the Board of Directors who served during the year are shown on page vi-vii 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.....*Julius Peter Kaakus*.....  
Signature.....*[Handwritten Signature]*.....  
Date.....*23/07/2023*.....

**BOARD CHAIRMAN**

**XI. 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 Oloolaiser 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, 2022. 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.

**Oololaiser Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**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, 2022, 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.

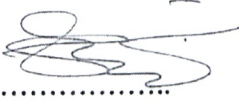
Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The company financial statements were approved by the Board on 30/06/2022 2022 and signed on its behalf by:

  
Signature.....

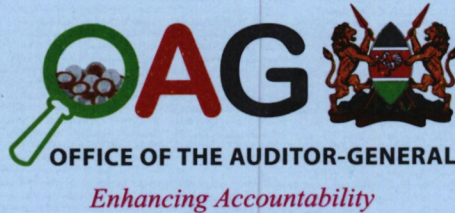
**Name Julius Kaakua**  
**Chairperson of the Board**

  
Signature.....

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

# REPUBLIC OF KENYA

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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 OLOOLAISER WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

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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 Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Oloolaiser Water and Sewerage Company Limited set out on pages 1 to 33, which comprise of the statement of financial position as at 30 June, 2022, and the statement of profit or loss and other comprehensive

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

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

### **Basis for Qualified Opinion**

#### **1. Unsupported Bank Balance**

The statement of financial position reflects cash and cash equivalents balance of Kshs.2,037,486 as disclosed in Note 10 to the financial statements. Included in the balance is Postal Corporation of Kenya collection account balance of Kshs.88,580 for which the certificate of deposit as at 30 June, 2022 was not provided for audit review.

In the circumstances, the accuracy and fair statement of cash and cash equivalents balance of Kshs.88,580 as at 30 June, 2022 could not be confirmed.

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

The statement of financial position reflects trade and other debtors balance of Kshs.103,559,256 as disclosed in Note 7 to the financial statements. The balance is net of provisions for doubtful debts of Kshs.18,865,419. Review of the gross debtors balance of Kshs.121,302,937 revealed that receivables totalling to Kshs.106,249,703 were more than 120 days old casting doubts on the adequacy of the provisions. The Company has also not designed an effective and reliable debt collection system, rendering the recoverability of the debt to be doubtful. Further, the Company has provided for doubtful debts of Kshs.18,865,419 constantly over a number of years despite the fluctuations in the receivables' balances. The Company 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.103,559,256 as at 30 June, 2022 could not be confirmed.

#### **3. Inaccuracies in the Statement of Cash flows**

The statement of cash flows reflects cash flows from operating activities of Kshs.4,495,299 whereas Note 11(a) to the financial statements reflects a negative

balance of Kshs.11,493,511 resulting to an unexplained and unreconciled difference of Kshs.15,988,810.

In the circumstances, the accuracy and fair statement of the statement of cash flows from operating activities of Kshs.4,495,299 for the year ended 30 June, 2022 could not be confirmed.

#### 4. Misstatement of Budget Amounts

The statement of comparison of budget and actual amount reflects final approved budget for staff costs and administration expenses of Kshs.119,527,885 and Kshs.51,099,873 while the actual approved budget reflects of Kshs.114,729,561 and Kshs.55,898,107 resulting to variances of Kshs.4,798,324 and negative Kshs.4,798,324 respectively. Further, the training and personal protective equipment expenditure budget amounts of Kshs.2,526,500 and Kshs.2,271,824 respectively were erroneously classified as staff costs instead of administration expenses.

In the circumstances, the accuracy and completeness of the respective financial statements' balances could not be confirmed.

#### 5. Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.230,432,707 while Note 8(a) to the financial statements reflects a balance of Kshs.282,123,655, resulting to unreconciled and unexplained variance of Kshs.51,690,948. Further, included in the balance are long outstanding balances totalling to Kshs.160,598,349 as detailed in the table below:

<b>Creditor</b>	<b>Balance (Kshs.)</b>
Net Salaries	15,937,275
Laptrust	65,931,209
Loan from Deposit Account	17,124,450
WARMA	6,621,655
Tanathi Water Service Board	50,970,780
Commissioner of Income Tax	2,214,980
Auditor-General	1,798,000
<b>Total</b>	<b>160,598,349</b>

In the circumstances, the long outstanding debts may expose the Company to the risk of litigations and interests claims. In addition, the accuracy and fair statement of trade and other payables balance of Kshs.230,432,707 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Oloolaiser 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 qualified opinion.

### **Key Audit Matters**

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

### **Other Matter**

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

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.288,528,115 and Kshs.208,116,989 respectively resulting to under-collection of Kshs.80,411,126 or 28% of the budget. Similarly, the Company expended an amount of Kshs.220,472,307 against a budget of Kshs.323,594,051 resulting to an under-expenditure of Kshs.103,121,744 or 32% of the budget.

In the circumstances, the under-collection and under-expenditure may have impacted negatively on the planned programs and activities and affected service delivery to the public.

#### **2. Excessive Electricity Costs**

The statement of profit or loss and other comprehensive income reflects operational expenses of Kshs.74,310,331 as disclosed in Note 5 to the financial statements. The expenditure includes power costs of Kshs.40,139,245 representing 54% of the total operating expenses indicative of funds availability for other programs of 46% of the total operational costs. Further, it was noted that some water kiosks were not operational as at the time of the audit due to power disconnection, notwithstanding the huge power bill.

The excessive power costs impacted negatively on the profitability and sustainability of services by the Company.

#### **3. 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 the failure to adhere to the provisions of the Public Sector Accounting Standards Board Template.

## **Other Information**

The Directors are responsible for the other information, which comprises the Chairman's report, report of Directors, corporate governance statement, management discussions and analysis, statement of Directors' responsibilities, report of Managing Director, environmental and sustainability reporting and statement of performance against predetermined objectives. The other information does not include the financial statements and my auditor's report thereon.

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Excessive Wage Bill**

The statement of profit or loss and other comprehensive income reflects staff costs totalling Kshs.104,870,802 and total revenue of Kshs.192,128,179. The staff costs represent 55% 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 is in breach of the law.

#### **2. Irregular Recruitment of Staff**

Review of the personnel records revealed that the Company recruited thirty-two (32) officers during the year under review. However, the recruitment process had the following irregularities;

- i) The vacant posts were not advertised limiting competition.
- ii) All thirty-two appointments were made from the same ethnic group.
- iii) The needs analysis process was not conducted to inform the recruitment.
- iv) The board minutes for approval of the recruitment were not provided for audit review.

In the circumstances, Management was in breach of the law and the recruitment process may not have resulted in appointment of the most suitable candidates.

### **3. Non-Compliance with the National Cohesion and Integration Act, 2008**

Review of human resource records revealed that the Company had one hundred and forty-four (144) employees out of which seventy-four (74) or 51% were from the local dominant community. The Management did not comply Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which requires that all public establishments shall seek to represent the diversity of the people in the employment and not have more than one third of its staff from the same ethnic community.

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

### **4. Non-Compliance with One Third Basic Pay Rule**

Examination of the payroll revealed that two (2) employees had payroll deductions exceeding two thirds of their basic salary, contrary to the provisions of Section 19(1) of the Employment Act, 2007 which set the total deduction threshold of two-thirds of the basic salary.

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

### **5. Irregular Casuals Employment**

Note 2 to the financial statements discloses casual wages of Kshs.1,778,230. A review of the human resource data revealed that the casual employees were engaged for periods exceeding the stipulated three (3) months period. Further, the Company made contributions of Kshs.40,200 to the National Social Security Fund for the casual workers for the months of September, 2021 to June, 2022.

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

### **6. Irregular Payment of Board Sitting Allowance**

The statement of profit or loss and other comprehensive income and as disclosed in Note 4 to the financial statements reflects Directors' expenses of Kshs.4,270,775, which relates to the allowance paid during the financial year. The allowances were however not paid for meetings within the approved board calendar for financial year 2021/2022 but were based on ad hoc meetings. Further, the Directors' expenses of Kshs.4,270,775, includes honoraria amount of Kshs.342,852 payable to the Board Chairman. It is not clear why the amount was accrued and not paid during the period under review since the chairman is substantively appointed.

In the circumstances, the regularity of directors' expenses of Kshs.4,270,775 could not be confirmed.

## **7. Appointment of Board Members**

A review of the Board records revealed that, the appointment letters and gazette notices for appointments of the directors were not filed. Further, review of the records shows that the board meetings were conducted without the required quorum.

In the circumstances, the board operated irregularly, and the allowances paid were also irregular.

## **8. Irregular Procurement Process**

The Company advertised Tender No: OWSC/T/004/2021-2022 on 04 August, 2021 for the supply and delivery of water chemicals, filter media and polymer. The tender was advertised in the daily newspapers and six (6) bidders submitted their bid documents and were taken through the evaluation process.

The contracts were awarded to two (2) bidders at a contract price of Kshs.15,987,043 and Kshs.215,081. However, the following irregularities were noted:

- (i) There was no appointment of tender opening committee, but tender opening committee minutes dated 18 August, 2021 were available. Further, tenders were not signed by the tender opening committee members as required by Section 78(9) of Public Procurement and Asset Disposal Act, 2015.
- (ii) The evaluation committee did not conduct financial evaluation for the bidders.
- (iii) The Committee did not allocate total marks to the bidders during evaluation.
- (iv) Technical evaluation was done to a bidder who failed the mandatory requirements.
- (v) The bid documents for one bidder were different in narrations from the others under Mandatory requirements.
- (vi) The inspection and acceptance committee report and goods delivery documents were not provided for audit verification.

In the circumstances, the competitiveness and regularity of the procurement process could not be confirmed.

## **9. Share Capital - Company Ownership**

The statement of financial position and Note 6(a) to the financial statements reflects share capital of Kshs.100,000. The Company has five thousand authorized 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.

## **10. Failure to File Annual Returns with the Register of Companies**

Review of the Company's records revealed that it was incorporated in 2006. The Management did not however, 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.

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

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

#### **Conclusion**

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

#### **Basis for Conclusion**

##### **1. Staff Medical Expenses**

Note 2 to the financial statements discloses staff medical expenses of Kshs.2,726,000. The Company did not however, have a policy on medical cover for the employees and there was no guidance on how the medical vote was run, which hospitals were appointed and terms on which treatments were to be received. In addition, it was observed that staff could spend up to Kshs.200,000 on medical and make a claim. Further, these payments were only supported by the claims submitted by the employees.

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

##### **2. Lack of a Risk Management Policy and Disaster Recovery Plan**

A review of the Company records, processes, systems and operations revealed that the Company has been operating without a risk management policy, which should form the basis of assessing and evaluating the risks affecting the financial and non-financial

operations of the entity. Further, the entity does not have a disaster recovery plan that would enable business continuity in the event of a disaster.

### **3. Excessive Non-Revenue Water**

The Company records indicate water production of 2,342,232 cubic meters (m<sup>3</sup>) during the year under review. Out of the production, only 1,410,179 m<sup>3</sup> was billed to customers. The balance of 932,053 m<sup>3</sup> or approximately 40% of total production represents Non-Revenue Water (NRW). The NRW for the Company exceeds the allowable loss of 25% by 15%, contrary to the Water Services Regulatory Board guidelines.

The loss affected the Company's profitability and sustainability of service to its customers.

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

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required by 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 financial statements are in agreement with the accounting records and returns.

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

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

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

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

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

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

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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.

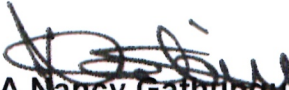
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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

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

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

I communicate with 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

05 May, 2023

Oloolaiser Water and Sewerage Company Ltd.  
Annual Report and Financial Statements for the year ended June 30, 2022

XIII. Statement of Profit or Loss & other Comprehensive Income For The Year Ended 30 June 2022.

	NOTES	2021/2022	2020/2021
		Kshs	Kshs
<b>OPERATING INCOME</b>	1	192,128,179	149,018,050
<b>EXPENSES</b>			
Administration	4	18,258,337	27,039,041
Staff Expenses	2	104,870,802	80,573,066
Directors Expenses	3	4,270,775	3,358,761
Operational Expenses	5	74,310,331	75,988,246
<b>TOTAL EXPENDITURE</b>		<b>201,710,245</b>	<b>186,959,114</b>
<b>Profit/(Loss) before tax</b>		-9,582,066	-37,941,064
Finance Costs		0	0
Tax		0	0
<b>Profit/(Loss) for the year</b>		<b>-9,582,066</b>	<b>-37,941,064</b>




Oloolaiser Water and Sewerage Company Ltd.

Annual Report and Financial Statements for the year ended June 30, 2022

XIV. Statement of Financial Position as at 30 June 2022

	Note	2021/2022	2020/2021
		Kshs	Kshs
<b>ASSETS</b>			
Non current assets			
Property Plant & Equipment	9	24,412,940	9,389,272
Intangible Assets		0	0
		<b>24,412,940</b>	<b>9,389,272</b>
Current assets			
Trade & Other Debtors	7	103,559,256	77,217,992
Cash & Cash Equivalent	10	2,037,486	315,439
		105,596,742	<b>77,533,432</b>
<b>Total assets</b>		<b>130,009,682</b>	<b>86,922,704</b>
<b>EQUITY AND LIABILITIES</b>			
Share Capital	6.(a)	100,000	100,000
Capital Reserve	6.(b)	3,817,836	3,817,836
General Reserve		-172,020,617	-162,438,551
<b>Total Equity</b>		<b>-168,102,781</b>	<b>-158,520,715</b>
<b>Non Current Liabilities</b>			
Capital Grant	8.(b)	15,988,810	
<b>Total Non Current Liabilities</b>		<b>15,988,810</b>	
<b>Current Liabilities</b>			
Trade and Other Payables	8.(a)	230,432,707	194,398,971
Customer Deposits		720,168	73,668
Contigent Liability		50,970,780	50,970,780
<b>Total Equity and Liabilities</b>		<b>282,123,656</b>	<b>245,443,419</b>
<b>Total Liabilities</b>		<b>130,009,682</b>	<b>86,922,704</b>

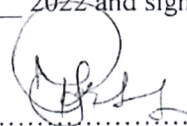
The financial statements were approved by the Board on 30/09/2022 and signed on its behalf by:



Name: Dr. Daniel Salau  
Managing Director



Name: Antony Muriuki  
Head of Finance



Name: Julius Kaakua  
Chairman of the Board

ICPAK M/No: 24229

Oloolaiser Water and Sewerage Company Ltd  
Annual Report and Financial Statements for the year ended June 30, 2022

XV. Statement of changes in Equity for the year ended 30 June 2022

<b>Statement of Changes in Equity</b>						
<b>As At 30th June 2021</b>						
	<b>Note</b>	<b>Share Capital</b>		<b>Revenue Reserve</b>	<b>Capital Reserve</b>	<b>Total</b>
		Kshs		Kshs	Kshs	Kshs
<b>As at 30th June 2020</b>		100,000		-124,497,486	3,817,836	-120,579,650
Prior year adjustments						
Restated Balance						
Amortization						
Additions for the year						
Profit/(loss) for the year				-37,941,064		-37,941,064
<b>As at 30th June 2021</b>	<b>6. A&amp;B</b>	<b>100,000</b>		<b>-162,438,551</b>	<b>3,817,836</b>	<b>-158,520,715</b>
<b>As at 30th June 2021</b>		100,000		-162,438,551	3,817,836	-158,520,715
Prior year adjustments						
Restated Balance						
Accumulated Amortization						
Additions for the year						
Profit/(loss) for the year				-9,582,066		-9,582,066
<b>As at 30th June 2022</b>	<b>6. A&amp;B</b>	<b>100,000</b>	<b>0</b>	<b>-172,020,617</b>	<b>3,817,836</b>	<b>0</b>

**Ololaiser Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**XVI. Statement of cash flows for the year ended 30 June 2022**

	NOTES	2021/2022	2020/2021
		Kshs.	Kshs.
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>11(a)</b>	<b>4,495,299</b>	<b>5,234,639</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of plant, property and equipments	9	(18,762,062)	(5,780,835)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(18,762,062)</b>	<b>(5,780,835)</b>
<b>FINANCING ACTIVITIES</b>			
Capital Grant		15,988,810	
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>15,988,810</b>	
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1,722,047</b>	<b>(546,196)</b>
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>315,439</b>	<b>861,636</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>2,037,485</b>	<b>315,439</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS :</b>			
Bank and Cash Balance	11(b)	2,037,486	315,439

Oloolaiser Water and Sewerage Company Ltd  
Annual Report and Financial Statements for the year ended June 30, 2022

XVII. Statement of comparison of Budget & Actual amounts for the period ended 30 June 2022

	ITEM	ORIGINAL BUDGET	ADJUSTMENT	FINAL BUDGET	ANNUAL INCOME AND EXPENDITURE TOTALS	ANNUAL INCOME AND EXPENDITURE VARIANCE	ANNUAL PERFORMANCE RATING	REMARKS
	INCOME							
1	Total Billing	279,972,000.00	(52,920,000.00)	227,052,000.00	152,777,763.91	(74,274,236.09)	67%	The Revenue was not realised fully due to Construction works which interfered with the water supply.
	<b>Other Incomes</b>							
3	News connection fees	2,500,000.00		2,500,000.00	661,300.00	(1,838,700.00)	26%	Lack of meters lowered the expected new connections within the period.
4	Grants	-	38,280,615.00	38,280,615.00	38,280,615.00	-	100%	
5	VAT refunds			-	-	-	0%	
6	Others	4,706,689.66		4,706,689.66	408,500.00	(4,298,189.66)	9%	
	<b>Total Income projection</b>	<b>287,178,689.66</b>	<b>(14,639,385.00)</b>	<b>272,539,304.66</b>	<b>192,128,178.91</b>	<b>(80,411,125.75)</b>	<b>70%</b>	
7	Total Administration Expenses	55,699,873.48	(4,600,000.00)	51,099,873.48	18,258,337.34	32,841,536.14	36%	Some expenses were not met due to decreased revenue that did not happen as budgeted.
8	Total Board Expenses	5,783,916.00		5,783,916.00	4,270,775.24	1,513,140.76	74%	Board meetings started quite late due to delayed induction,so some sittings were combined thus minimizing the number of expected sittings in the financial year.
9	Total operational Expenses	95,272,266.62		95,272,266.62	74,310,330.58	20,961,936.04	78%	Actual expenditure was low as a result of decreased revenue.
10	Staff Costs	114,927,885.07	4,600,000.00	119,527,885.07	104,870,802.21	14,657,082.86	88%	The Company lost some staff members through death,resignation and termination,thus lowwring the staff expenses.
	<b>Grand Expenditure</b>	<b>271,683,941.16</b>	<b>-</b>	<b>271,683,941.16</b>	<b>201,710,245.37</b>	<b>69,973,695.79</b>	<b>74%</b>	
	<b>Income less expenses</b>	<b>15,494,748.49</b>	<b>(14,639,385.00)</b>	<b>855,363.49</b>	<b>(9,582,066.46)</b>	<b>(10,437,429.95)</b>		

Oloolaiser Water and Sewerage Company Ltd  
Annual Report and Financial Statements for the year ended June 30, 2022

CAPITAL BUDGET

ITEM	ORIGINAL BUDGET	ADJUSTMENT	FINAL BUDGET	ANNUAL INCOME AND EXPENDITURE TOTALS	ANNUAL INCOME AND EXPENDITURE VARIANCE	ANNUAL PERFORMANCE RATING
1	Capital Grant Expenditure	15,988,810.00	15,988,810.00	15,988,810.00		
1	Total Capital Expenditure	15,988,810.00	51,910,110.00	18,762,062	33,148,048.00	57%
	Net Expenditure	(35,921,300)	(35,921,300)	(2,773,252)		

*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 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.*

*Budget notes: Provide explanation of differences between actual and budgeted amounts (10% over/ under) Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.*

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

### **1. General Information**

Oloolaiser 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 and Ngong 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.

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 2022.*

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Oloolaiser Water and Sewerage Company Ltd  
Annual Report and Financial Statements for the year ended June 30, 2022

Title	Description	Effective Date
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

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

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 2022.*

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
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	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

Oloolaiser Water and Sewerage Company Ltd  
Annual Report and Financial Statements for the year ended June 30, 2022

Title	Description	Effective Date
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 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. Early adoption 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.*

*iii. Early adoption of standards*

The entity did not early – adopt any new or amended standards in year 2021/2022

## NOTES TO THE FINANCIAL STATEMENTS (Continues)

### 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) Reimbursement from National Industrial Training Authority** is recognized in the year which the company has received as a result of offering attachment/Internship services.
- iv) VAT refunds from Kenya Revenue Authority** are recognized in the year in which the *Oloolaiser Water and Sewerage Company Ltd* actually receives after claiming for input tax.
- v) Other income** is recognized as it accrues.

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

**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.

**c) Property, plant and equipment**

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

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

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

**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 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.

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

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

Amortization is calculated on the reducing balance 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 so that the asset is written down immediately to its estimated recoverable amount.

**g) Inventories**

Inventories are stated at the lower of cost and net 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 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 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**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 also at 7.5% Employee and 12% Employer for the Standard chartered.

**l) Budget information**

The original budget for FY 2021-2022 was approved by the Board of Directors on 24<sup>th</sup> June 2021. 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 2021-2022 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

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022.**

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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 xv 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, 2022

**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**

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

**b) Useful lives and residual values**

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

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

**c) Provisions**

Provisions 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, 2022.**

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

<b>1.OPERATING INCOME</b>		
	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Water	152,777,764	137,708,878
Connection fees	661,300	1,610,700
Grants from Kajjado County	10,000,000	7,500,000
Other Collections	8,500	5,702
VAT refund		0
Bacterial tests		0
Staff rent	280,000	305,500
Grants from WSTF	28,280,615	1,509,270
Exhauster Income	120,000	378,000
<b>Total</b>	<b>192,128,179</b>	<b>149,018,050</b>
<b>2.STAFF COSTS</b>		
	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Staff Salary	86,173,436	67,800,471
Employer Pension Contribution NWC	971,288	857,616
Leave and Passage	1,430,910	1,308,971
Staff Welfare	329,000	248,836
Staff Medical	2,726,000	1,380,125
N S S F(Employer Contribution)	373,800	300,000
Staff bonus		35,000
Gratuity provision	1,861,860	1,543,800
WASCA Sports	996,600	135,400
Employer Contribution to laptrust	8,229,678	6,945,356
Standby Allowances		
Casual Wages	1,778,230	17,490
<b>Total</b>	<b>104,870,802</b>	<b>80,573,066</b>

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022.**

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

<b>3. DIRECTORS EXPENSES</b>			
		<b>2021/2022</b>	<b>2020/2021</b>
		<b>Kshs.</b>	<b>Kshs.</b>
Board Allowances		2,309,950	1,864,236
Chairman's Honoraria		342,852	342,852
Other Board Expenses		1,617,973	1,151,673
<b>Total</b>		<b>4,270,775</b>	<b>3,358,761</b>

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022.**

<b>4. ADMINISTRATION</b>			
		<b>2021/2022</b>	<b>2020/2021</b>
		<b>Kshs.</b>	<b>Kshs.</b>
Consultancy & Professional fees			297,520
Auditor's Remuneration		232,000	232,000
Telephone, Postage and Telegram		181,230	1,397,270
Travel & Accommodation		4,978,595	4,835,937
Office Electricity & Water		7,956	161,661
Membership to professional bodies		301,940	362,200
Advertising & Promotions		330,174	1,000,980
Insurance		46,149	32,149
Library Expenses		74,210	72,660
Office Tea & Cleaning		230,569	342,463
Office Stationery		187,315	131,443
Printing and Photocopying		21,541	49,857
Bank Charges		203,686	149,571
Provision for doubtful debts			
Revenue Collection Expenses		758,748	760,095
Security Services		1,135,578	6,701,463
General Office Expenses		147,881	108,701
Office Rent		2,305,119	1,740,000
Depreciation		3,738,394	4,171,063
Donations			
IT Expenses		1,440,272	1,469,407
Maintenance of Office Equipment		74,100	80,100
Stakeholders Forums			250,000
Annual General Meeting		223,500	
Legal Fees		685,840	191,000
Purchase of office furniture & equipment			
Uniforms And Protective Clothing		69,490	24,100
Staff Training		884,050	2,348,011
Workshops and Seminars			0
Covid 19 Expenditure			129,390
<b>Total</b>		<b>18,258,337</b>	<b>27,039,041</b>

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022.**

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

<b>5. OPERATIONAL</b>	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Maintenance of W/Supplies	7,061,568	10,501,576
Maintenance of buildings & Stations	15,800	752,308
Maintenance of pumps and equipment	1,151,269	2,004,625
Power costs	40,139,245	40,106,971
Maintenance of M/Vehicles	450,008	495,915
Chemicals	16,853,705	13,186,761
M/Vehicle Fuel Expenses	355,800	345,580
Regulatory levy	6,111,111	5,508,355
Permit and Abstraction Fee	1,714,525	2,443,907
Water quality tests	6,400	338,549
Hire of Motor Vehicles/Plant & Equipment	450,900	303,700
<b>Total</b>	<b>74,310,331</b>	<b>75,988,246</b>

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>KShs.</b>	<b>Kshs.</b>
<b>6. SHARE CAPITAL</b>		
<b>6. (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>6.(b ) Reserves</b>		
Capital Reserve	3,817,836	3,817,836
General Reserve	(172,020,617)	(162,438,551)
	<b>(168,102,781)</b>	<b>(158,520,715)</b>

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022.**

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

<b>7. TRADE &amp; OTHER DEBTORS</b>	<b>2021/2022</b>	<b>2020/2021</b>
Trade Receivables (Water Supply Debtors) (note 7 (a))	121,302,937	95,430,675
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 7(b))	815,698	346,696
	<b>103,559,256</b>	<b>77,217,992</b>

<b>7 (a) Trade Receivables</b>		
Gross trade receivables	121,302,937	95,430,675
Provision for doubtful receivables	(18,865,419.00)	(18,865,419)
Net trade receivables	<b>102,437,518.48</b>	<b>76,565,256.33</b>

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

Less than 30 days	5,363,364	6,201,577
Between 30 and 60 days	3,129,512	3,289,083
Between 61 and 90 days	3,760,380	2,879,023
Between 91 and 120 days	2,799,979	976,308
Over 120 days	106,249,703	82,084,684
<b>Total</b>	<b>121,302,937</b>	<b>95,430,675</b>

<b>7 (b) Staff Debtors</b>		
Gross staff advances	815,698	346,696
Provision for impairment loss	-	0
Net staff advances	815,698	346,696
Less: Amounts due with one year	(815,698)	(346,696)
Amounts due after one year	-	-

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022.**

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

<b>8. a) TRADE &amp; OTHER PAYABLES</b>	<b>2021/2022</b>	<b>2020/2021</b>
Trade Creditors	67,239,927	66,947,903
Net Salaries	15,977,475	8,683,557
N.H.I.F	2,553,709	2,463,709
N.S.S.F	95,820	49,620
Board Allowances Net	240,000	(240,000)
NITA	211,870	115,520
Paymaster General	4,084,935	4,869,610
Customers' Deposits	720,168	73,668
Laptrust	65,931,209	51,117,787
Honoraria Net	240,000	60,000
KCGWU	549,200	228,000
OWSWA Welfare Association	621,000	496,000
Liberty Life Assurance	4,851	4,851
COTU	522,645	359,145
ICEA Lion Insurance	7,635	7,635
Pan African Insurance	653	653
Gratuity	4,989,938	3,128,078
Sanlam life assurance	4,991	4,991
Agencies Unreceipted Deposits	1,650,824	1,027,579
Standard Chatered	8,056,100	6,599,168
Ukulima Sacco	4,593,364	3,989,040
Staff creditors	733,321	694,308
Auditor General	1,798,000	1,566,000
KRA Withholding	696,453	261,840
Loan from Deposit account	17,124,450	17,124,450
Prepaid Water	1,618,742	1,579,566
WASREB	22,048,960	15,937,850
W.R.M.A	6,621,655	5,107,130
Tanathi Water Services Board-Licensee's remuneration	50,970,780	50,970,780
Commissioner of Income Tax	2,214,980	2,214,980
	<b>282,123,655</b>	<b>245,443,419</b>
<b>8. b) Capital Grant</b>		
Grant	15,988,810	
Liquidated	-	
<b>Balance Carried Forward</b>	<b>15,988,810</b>	

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022.**

9. PROPERTY PLANT AND EQUIPMENT								
	Intangible 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>		<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>				<b>Kshs.</b>
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	251,500				15,986,562	18,762,062
Disposal	-	-	-	-	-	-	-	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	0	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

2021	Intangible Assets	Water Meters	Furniture & Office Equipment	Computers	Tanks	Pumps & Equipment		Total
Rate	33.3	33.30	12	30	30	30		
<b>COST</b>		<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>				<b>Kshs.</b>
As at 1 July 2020	295,471	21,002,754	1,644,820	2,239,606	1,108,854	10,803,390		36,799,424
Additions at cost	-	1,918,000.00	-	120,000.20	-	3,742,834.53		5,780,834.73
Disposal	0	-	0	0	0	0		0
As at 30 June 2021	295,471	22,920,754	1,644,820	2,359,606	1,108,854	14,546,225		42,580,259
<b>DEPRECIATION</b>								
At 1 July, 2020	295,471	17,277,372	1,182,215	1,652,693	472,062	8,435,581		29,315,394
Charge for Year	-	1,879,246	55,513	212,074	191,038	1,833,193		4,171,063
As at 30 June, 2021	295,471	19,156,618	1,237,728	1,864,767	663,100	10,268,774		33,486,458
<b>NET BOOK VALUE</b>								
As at 30 June, 2020	-	3,725,382	462,605	586,913	636,792	2,367,809		7,779,501
As at 30 June, 2021	-	3,764,136	407,092	494,839	445,754	4,277,450		9,389,272

10. Cash Balances			
Cash at Bank		2021/2022	2020/2021
			<b>Kshs.</b>
K.C.B. Ongata Rongai -Revenue		6,812	204,532
K.C.B. Expenditure Account		(330,393)	(604,789)
K.C.B. Deposit Account		863,963	91,528
Posta Corporation		88,580	109,151
Post Bank		481,577	175,484
MPESA		847,453	323,248
Equity Bank CLSG account		5,532	9,227
Equity Bank collection account		68,553	
		<b>2,032,078</b>	<b>308,381</b>
Cash In Hand			
Office Petty Cash		5,408	7,058
		<b>5,408</b>	<b>7,058</b>
		<b>2,037,486</b>	<b>315,439</b>

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022.**

<b>11. NOTES TO THE STATEMENT OF CASH FLOWS</b>	<b>2021-2022</b>	<b>2020-2021</b>
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations</b>		
Operating loss	(9,582,066.46)	(37,941,064.03)
Depreciation	3,738,394.00	4,171,063.18
Operating loss before working capital changes	(5,843,672.46)	(33,770,000.85)
Increase in receivables	(26,341,263.89)	(9,795,106.10)
increase in payables	20,691,426.51	48,799,746.59
Cash generated from/(used in) operations	(11,493,510.84)	5,234,638.64
<b>(b) Analysis of cash and cash equivalents</b>		
Cash at bank	2,032,077.75	308,381.17
Cash in hand	5,408.00	7,058.00
Balance at end of the year	2,037,485.75	315,439.17

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

**6. 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**

**7. 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

**Ololaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022.**

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- Water Sector Trust Fund
- Key management
- Board of directors

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

**Transactions with related parties**

	2021-2022	2020-2021
	Kshs	Kshs
a) Grants		
1. Grant from County Government of Kajiado	10,000,000	7,500,000
2. Grant from Water Sector Trust Fund	44,269,425	1,509,270
	<b>54,269,425</b>	<b>9,009,270</b>
b) Key management compensation		
1. Directors' emoluments	2,652,802	2,207,088
2. Compensation to Managing Director	5,046,000	4,080,000
3. Compensation to key management	8,743,488	6,192,030
<b>Total</b>	<b>16,442,290</b>	<b>12,479,118</b>

**8. 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, 2022.**

**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 2022</b>				
Trade Receivables	102,437,518	15,053,234	87,384,284	
Other Receivables	1,121,738	1,121,738		
Bank balances	2,045,318	2,045,318		
<b>Total</b>	<b>105,604,574</b>	<b>18,220,290</b>	<b>87,384,284</b>	
<b>At 30 June 2021</b>				
Receivables	76,565,256	15,313,051	61,252,205	
Other Receivables	652,736	652,736		
Bank balances	308,381	308,381		
<b>Total</b>	<b>77,526,373</b>	<b>16,274,168</b>	<b>61,252,205</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, 2022.**

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2022 current year</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>	15,736,034	30,343,110	184,353,563	230,432,707
<b>At 30 June 2021</b>				
Trade payables	2,667,916	10,711,665	53,558,323	66,947,904
Other payables	10,211,274	15,316,911	102,112,746	127,640,931
<b>Total</b>	12,889,190	26,028,576	155,671,069	194,588,835

**(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.

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022.**

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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**

The Company has no interest rate risk exposure

**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:

	2021-2022	2020-2021
	Kshs	Kshs
Retained earnings	( 172,020,617)	(162,438,551)
Capital reserve	3,817,836	3,817,836
<b>Total funds</b>	<b>(168,202,781)</b>	<b>(158,620,715)</b>
Less: cash and bank balances	2,050,726	(315,440)
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

**9. Incorporation**

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

**10. Events After the Reporting Period**

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

**11. Currency**

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

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022.**

**XIX. Appendices**

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

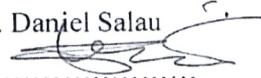
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

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

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022.**

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

2019/2020					
Referenc e No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue ( <i>Name and designation</i> )	Status: ( <i>Resolved / Not Resolved</i> )	Timeframe: ( <i>Put a date when you expect the issue to be resolved</i> )
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	Wilson Munguti Technical 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

Name: Dr. Daniel Salau  
 Signature.....  
 Managing Director  
 Date. 23/03/2023

**Oloolaiser Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022.**

**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
Water Sector Trust Fund	27/07/2021	Recurrent and Development	34,229,292.00	18,240,482	15,988,810
Water Sector Trust Fund	23/12/2022	Recurrent	10,040,133.00	10,040,133	
<b>Total</b>			44,269,425	28,280,615	15,988,810