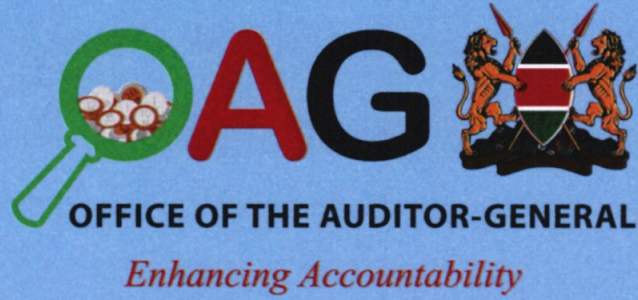


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

PAPERS LAID	
DATE	23/04/2024
TABLED BY	Dep. Senate majority ON
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OLKALOU WATER AND SANITATION COMPANY LIMITED

FOR THE YEAR ENDED
30 JUNE, 2023

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OL KALOU WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

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Oi Kalou Water and Sanitation Company Ltd.
Annual Report and Financial Statements
For the year ended June 30, 2023

1. Acronyms and Glossary of Terms

Provide Acronyms and glossary of terms that appear in this annual report and financial statements.

<i>UPC</i>	<i>Urban Project Concept</i>
<i>CLSG</i>	<i>Conditional Liquidity Support Grant</i>
<i>WSTF</i>	<i>Water Sector Trust Fund</i>
<i>OLWASCO</i>	<i>Oi Kalou Water and Sanitation Company Limited</i>
<i>CRVWDA</i>	<i>Central Rift Valley Water Works Development Agency</i>
<i>WTP</i>	<i>Water Treatment Plant</i>
<i>DTF</i>	<i>Decentralized Treatment Facility</i>
<i>STP</i>	<i>Sewerage Treatment Plant.</i>
<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>NSSF</i>	<i>National Social Security Fund</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>PAYE</i>	<i>Pay As You Earn</i>
<i>MD</i>	<i>Managing Director</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>
<i>WRA</i>	<i>Water Resources Authority</i>

2. Key Entity Information

Background information

The Ol- Kalou Water and Sanitation Company Limited was established by the Company's Act (Cap 486) of Parliament on 2005. The Ol- Kalou Water and Sanitation Company Limited is domiciled in Kenya and has branches in Ol Kalou.

Principal Activities

The principal activity of the Ol- Kalou Water and Sanitation Company Limited is provision of water and sanitation services in Ol Kalou sub-county and its environs.

The fundamental statements that guides OLWASCO are: - The Vision, Mission, and Core Functions as explained here below

Vision of OLWASCO

“To be a role model Water and Sanitation Company in the country”

Mission

“To ensure sustainable, efficient, effective and reliable provision of quality and affordable water and sanitation services to the people of Ol Kalou Sub-county of Nyandarua County.”

Core Functions

Arising from its mandate, the company's core functions are:-

- To develop and manage all the town's water supply and sewerage services.
- To bill and collect water & sewerage revenue.
- To increase water supply coverage through rehabilitation and modernization of the existing water supply infrastructure.
- To install new water connections to the emerging customers
- Support pro-poor water and sanitation services
- Operate and maintain water and sewerage treatment plant, boreholes, and distribution systems in the area of jurisdiction.

Ol Kalou Water and Sanitation Company Ltd.
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Directors

The term of the previous Board of Directors expired in December 2018. The mandate of constituting a new Board rests with the shareholders of the Company in our case the County Government of Nyandarua. At the end of the financial year, the County Government of Nyandarua through the County Attorney were in the process of putting in modalities in readiness of the constitution of a new Board.

In the meantime and in the absence of a properly constituted Board of Directors and as had been advised by the Nyandarua County Audit Committee and WASREB the management committee is responsible for approving all policies documents including Budget and Financial Statements that are required in the smooth running of the Company after which they will then be presented to the Board when it will be properly constituted.

REGISTERED OFFICE

OL-KALOU WATER AND SNITATION COMPANY LTD
WATER OFFICES
JUA-KALI, OFF OL KALOU-NJAMBINI ROAD
P.O.BOX 455-20303
OL-KALOU TOWN

Corporate Contacts

Telephone: 020-2342471

E-mail: olwasco03@yahoo.com

Website: www.olkalouwater.co.ke

OI Kalou Water and Sanitation Company Ltd.
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Corporate Bankers

1. The Co-operative Bank of Kenya Ltd
P.O. Box 558-20303
OI Kalou
Fax: 020-23149965
Mobile: 0708-223334, 0732-520415
Email: olkaloubr@co-opbank.co.ke

Independent Auditors

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




Principal Legal Advisers

1. County Attorney
Nyandarua County Government Head Quarters,
P.O. Box 701 - 20303
OI Kalou, Kenya

3. The Board of Directors

There was no Board of Directors during the financial year under review.

4. Key Management Team

 AG. MANAGING DIRECTOR SIMON T. WANJIKU	<p>Academic Qualifications: Bsc. Biosystems Engineering. -Member of the Engineers Board of Kenya (EBK)</p>
 MR. DIXON K. NJOROGE AG. TECHNICAL MANAGER	<p>Academic Qualification: Diploma -Professional Qualification: Diploma in Electrical Engineering.</p>
 MR. MWANGI N. JOSEPH COMMERCIAL MANAGER	<p>Academic Qualification: Bachelor Of Purchasing & Supplies Management. -Member of Kenya Institute of Supplies Management (KISM)</p>

5. Chairman's Statement

There was no Board of Directors during the financial year under review

6. Report of the Managing Director

INTRODUCTION

I feel honoured while presenting to the Annual Reports and Financial Statements for the ended June 30, 2022. The term of the Board of Directors for the Company expired in December 2018 and a new one is yet to be constituted. For this reason this year report has been prepared by a Management Committee as advised by the County Audit Committee and the Water Services Regulatory Board (WASREB).

PERFORMANCE REVIEW

During the year under review, the company improved despite the prolonged drought. Water sales revenue improved from Kshs 36,884,880 to Kshs. 37,538,225. We were also able to undertake additional expansion of water and increase our water coverage area. This increased the number of our connections from 3,600 to 3,800 during the year under review.

The company service area increased from 44km² to 45km² through extensions undertaken from company's own revenue and support from Nyandarua County Government.

This impressive results and the ongoing transformation agenda demonstrates that our strategy for growth is working.

CHALLENGES

During the past year, the company encountered the recurring challenge of Non-Revenue Water (NRW). We however been able to reduce the NRW from 41% at the close of last financial year to 36% as at 30th June 2023.

Inadequate water capacity has also been a challenge due to the prolonged drought and the anticipated increase in the demand particularly OI Kalou due to the county headquarters at OI Kalou. However the company requested the County Government and CRVWDA to drill additional boreholes which when handed over will fully meet the demand of OI Kalou to accommodate this deficit.

FUTURE PROSPECTS

Looking ahead the company with the assistance of Central Rift Valley Water Works Development Agency (CRVWDA) are in the final stages of construction of a water treatment plant, sewerage system and sewerage treatment plant to improve water and sanitation services. In addition, the company has applied grant under UPC 8th Call and CLSG II both WSTF for Kirima Water Project and Githunguri Water Project respectively. When this is complete we will continue to fulfil our mission to ensure sustainable, efficient, effective and reliable provision of quality and affordable water and sanitation to the people of OI Kalou and its environments. We have put in place a sound strategic vision to drive this future growth.

CONCLUSION

I would like to thank the management team and staff of the company for their superior performance and call upon them to continue with the same degree of dedication. In particular I would like to acknowledge all those who contributed to the success of the company in their different roles through finance, materials, advice, encouragement and even acquiring our services. These include the National Government, Nyandarua County Government, Water Sector Trust Fund, and Central Rift Valley Water Works Development Agency. OI Kalou Water and Sanitation Company members of staffs and the customers at whole of which without them our services would not have been recognized. My colleagues and I in Management Committee will continue to provide the necessary oversight, guidance and support to the Company to propel the company to achieve its medium and long term objectives.



Simon T. Wanjiku

Ag. Managing Director

OI Kalou Water & Sanitation Company Limited.

7. Statement of Performance against Predetermined Objectives for FY 2022/2023

1. To improve Human Resources capacity for OLWASCO.

The company undertook its annual Training Needs Assessment (TNA) and approved training for staff in the following identified areas;

Staff training attended during the financial year

No.	Training details	Number of staff
1	Capacity Building in Organization and Strategy, Commercial, Technical, HR, Finance, NRW	38
2	Benchmark workshops on Service provision, Cost recovery, NRW reduction, and Pro-poor services	4
3	Practical Application of the New STD's	1

2. To increase the proportion accessing clean/safe water

During the year under review, the company increased its expenditure on water extensions which resulted in increase of water connections from 3600 to over 3800 with the water coverage increasing from 44km² to 45km².

3. To reduce the level of Non- Revenue Water (NRW)

Non- Revenue Water (NRW) has been a great challenge for the company with the levels remaining over 45% over the years. During the year of review, the company replaced dilapidated water pipelines, procured zonal meters and replaced non-functional meters which eventually bore fruits since the NRW dropped from 41% as at the end of last financial year to 36% as at 30th June 2023.

4. To develop and improve Sanitation facilities and services.

In 2020, the company operationalised the new Decentralised Treatment Facility (DTF) which increased sewerage treatment capacity from 22m³/d to 72m³/d. The new sewerage system which is currently almost complete will have a treatment capacity of 300m³/d which is sufficient to cover the sewerage demand for the entire town.

5. To enhance financial sustainability of OLWASCO.

To enhance financial sustainability, the company improved its revenue collection to over 95%, introduced cost cutting measures and prepared proposals for Urban Project Concept 8th Call and Conditional Liquidity Support Grant (CLSG) from the World Bank through the Water Sector Trust Fund (WSTF)

8. Corporate Governance Statement

INTRODUCTION

In the absence of a properly constitute Board, the Management Committee comprising of the Managing Director, Technical Manager and the Commercial has during the Financial Year under review held three meetings and was able to approve the Company and the Customer Service User Manual and Pro poor Policy. The committee through its Quarterly meetings was also able to approve the Company's Budget Estimates for the financial year ending 30th June 2024. The company had its operation license approved by the Water Services Regulatory Board (WASREB) and we are in the process of reviewing our tariffs.

COMPLIANCE

Tender and procurement committees were in place, statutory requirement were complied with, and all quarterly and annual reports were prepared and submitted to Central Rift Valley Water Works Development Agency as agreed in the performance contract. The Company has also complied with all key performance indicators set by the Water Service Regulatory Board (WASREB) which include the set ration on personal cost, training cost, Board expenses and maintenance cost.



Simon T. Wanjiku (Mr)
Ag. Managing Director

9. Management Discussion and Analysis

During the year under review OI Kalou water and sanitation company Limited managed the following accomplishments.

- Replacement of meters which has greatly reduced the levels of non-revenue water (NRW) from 41% to 36%.
 - Increased number of connections from 3600 to over 3800
 - Operationalization of the new Water Treatment Plant (WTP)
 - Put into place strict financial management control measures by continuously building capacity of staff in different levels
- a) Developed and key policy document i.e
- (a) Customer Service User Manual- Which motivated staff by introducing salary increment staff gratuity, mileage for motor bikes and its incorporate a staff establishment structure.
 - (b) Pro Poor Policy.
- b) Cash flow management to ensure the Company is financially sustainable:
- a) Improved revenue collections to over 96%
 - b) Introduced cost cutting measures.
 - c) Clearing all pending bills mainly electricity, suppliers and staff dues.
- c) Capacity building
- Staff- Conducted a Training Need Assessment (TNA) and trained staff on relevant courses.
 - Capacity building of all staff under Utility Turn around Facility by Losai Management as part of institutional Strengthening under OI Kalou Water and Sewerage Project being implemented by Central Rift Valley Water Works Development Agency.
- d) Improving Technical Capacity
- Increase the budget of Pipes, fittings and maintenance to 9.5 million per year mainly for the following:

- i. Rehabilitation and repairs of main line from River Malewa
 - ii. Extension and re-routing of pipelines especially in Vatican, Kiganjo, Jua Kali, Kariamu Mwireri, Captain, Site, Huruma, and Jerusalem.
 - iii. Procurement of cold water meters and ultra-sound meters to control NRW and increase water connectivity.
 - iv. Rehabilitation of boreholes, motor vehicle and motor bikes.
 - v. Introduced water/sewer testing and procured a Gravity doser to treat water.
- e) Corporate Governments:
- i. Ensured that all statutory dues are fully paid and on time.
 - ii. Advised the County on what needs to be done and how it should be done and when it is to be done i.e. Expiry of term of the Board and procedure of reconstituting it.

10. Environmental and Sustainability Reporting

i) Sustainability strategy and profile -

For OI Kalou Water and Sanitation Company Ltd. to remain sustainably we enhanced our collection efficiency to over 95%, cut cost on none essential goods and applied for the Conditional Liquidity Support Grant (CLSG) from the World Bank through the Water Sector Trust Fund (WSTF) and the UPC 8TH Call proposals for urban underserved areas' water project.

ii) Environmental performance

To reduce environment damage caused by poor waste water disposal the Company finished the construction of a new 50m³/d Decentralized Treatment Facility (DTF) and operationalized it in 2021. In addition, the New 3300 m³/d sewerage treatment plant that is almost complete will aid in reducing the amount of raw sewerage being released to the environment without treatment within OI Kalou Town and its environs. We also conducted Environmental Impact Assessment (EIA) for our service. The Company is a corporate member of the Upper Malewa River Water Users Association where we normally pay annual fees for Environmental conservation activities. During this financial year, OI Kalou water together with other partners including the CRVWWDA and Losai Management engaged in tree planting activities at the catchment area (Kirima along River Malewa) and within the Sewerage Treatment Plant (STP) Premises.

iii) Employee welfare

The Company has an approved Human Resource Policy which outlines how staff issues are handled. During the year under reviewed the Company ensured all staff dues are paid on time; all working materials are provided transportation and mileage are provided and staff are provided with uniforms and Personal Protective Equipment especially to work related hazards.

iv) Market place practices-

During the year of review the Company advertised for Registration of suppliers and came up with a list of registered suppliers and contractors. It also prepared its annual Budget and procurement plan. All goods and services were procured in accordance with the Public Procurement and Disposal Act and Guidelines. All goods and services were paid for within 30 days after delivery after inspection to check on conformity with the specifications and there after acceptance.

v) Corporate Social Responsibility / Community Engagements

Due to absence of a properly constituted Board of Director, the Company was not able to undertake many CSR.

OI Kalou Water and Sanitation Company Ltd.
Annual Report and Financial Statements
For the year ended June 30, 2023

11. Report of the Management Committee

The principal activities of the entity continue to be provision of water services to OI Kalou town and its environs. During this year, the company operationalized the newly constructed Water Treatment Plant. The company continued to provide sanitation service as the Decentralised Treatment Facility (DTF) that was funded by WSTF was commissioned and began operation.

Results

The results of the entity for the year ended June 30, 2023 are set out on page 1 below is summary of the profit or loss made during the year.

	2022/2023	2021/2022
	Kshs	Kshs
PROFIT/(LOSS) BEFORE TAXATION	(2,487,749)	7,411,679

Auditors

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

By order of the Management Committee



Simon T. Wanjiku
Ag. Managing Director

12. Statement of Directors' Responsibilities

The Public Finance Management Act, 2012 and the State Corporations Act, require the Directors to prepare financial statements that give a true and fair view of the state of affairs of OI Kalou Water and Sanitation Company Limited at the end of the financial year and the operating results of the water company for that year. The Directors are also required to ensure that the water 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 water company.

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs 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 water company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the Public Finance Management Act, 2012 and the State Corporations Act. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of companies transactions during the financial year ended June 30 ,2023, and of the water 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's 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 OI Kalou Water and Sanitation Company Limited will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

OI Kalou Water and Sanitation Company Limited financial statements were approved by the Management Committee on 27th September 2023 and signed on its behalf by:



Mr. Simon T. Wanjiku

Chairman – Management Committee



Mr. Dixon K. Njoroge

Member- Management Committee

REPUBLIC OF KENYA

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

Enhancing Accountability

REPORT OF THE AUDITOR-GENERAL ON OLKALOU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

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 Ol Kalou Water and Sanitation Company Limited set out on pages 1 to 29, which comprise of the statement of financial position as at 30 June, 2023 and the statement of profit or loss and other comprehensive

income, statement of changes in equity, statement of cash flows and statement of 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 Ol Kalou Water and Sanitation Company Limited as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.15,721,706 as disclosed under Note 26 to the financial statements. Included in this balance is Kshs.13,255,203 which relates to levies payable to Central Rift Valley Water Works Development Agency (CRVWDA), which have been outstanding for more than six (6) years. There was no proper explanation for the delay in remittance of the levies.

In the circumstances, the accuracy and completeness of the Kshs.13,255,203 relating to levies could not be confirmed. In addition, the Company is exposed to possible legal actions and increased costs due to interests and penalties.

2. Long Outstanding Trade and Other Receivables

The financial statements reflects Kshs.10,325,604 in respect of gross trade and other receivables balance as disclosed in Note 19(a) out of which a balance of Kshs.2,160,406 had been outstanding for more than three (3) years. In addition, the Company made a provision for bad and doubtful debts of Kshs.1,032,560 for all trade and other receivables and this may be inadequate to cover the potential recoverable amounts.

In the circumstances, the accuracy and recoverability of the receivables could not be confirmed.

3. Inaccurate Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.42,157,501 as disclosed in Note 16 to the financial statements. However, this balance excludes undetermined value of assets inherited from the former Rift Valley Water Services Board. The Management has not demonstrated any attempt to have the assets owned by the defunct Board transferred to the Company.

In the circumstances, the completeness and accuracy of the property, plant and equipment balance of Kshs.42,157,501 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Ol Kalou Water and Sanitation 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2023 reflects approved total expenditure budget of Kshs.66,778,000 against the actual expenditure of Kshs.45,211,152 translating to 68% budget implementation (under expenditure of Kshs.21,566,848). Similarly, out of the budgeted receipts of Kshs.66,782,000 the Company received Kshs.42,723,403 representing 64% of the budget and revenue deficit of Kshs.24,058,597.

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

My opinion is not modified in respect of this matter.

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

Unresolved Prior Year Audit Matters

In the audit report of the previous year, several matters were raised under 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, the Management has not resolved most of the issues or given satisfactory reason for delay in resolving the issues.

Other Information

The Directors are responsible for the other information. The other information comprises of the Chairman's statement, report of Managing Director, statement of performance against predetermined objectives, corporate governance statement, Management

discussion and analysis, environmental and sustainability reporting, the report of directors and the statement of directors' responsibilities. 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 thereof.

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 Non-Revenue Water

During the year under review, the Company produced 547,230 cubic meters (m³) of water and out of which 345,220 m³ was billed to customers. The balance of 202,010 cubic meter (m³) or approximately 37% of the total volume produced represents Non-Revenue Water (NRW) which is 12% over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board guidelines.

The significant level of Non-Revenue Water is an indication of inefficiency and ineffectiveness in the use of public and water resources, which may negatively impact on the Company's profitability and its ability to sustain services.

2. Use of Un-Approved Water Tariffs

According to the records provided for audit, the Company billed its customers based on water tariffs which lapsed in financial year 2016/2017. Although Management had sought for approval from Water Services Regulatory Board (WASREB) for regular tariff adjustment, the authority had not been granted and the Company continued to bill water consumers using the expired water tariffs.

In the circumstances, the Company continues to earn lower revenues as a result of using outdated water tariffs.

3. Exceeding Industrial Benchmark on Personnel Expenses

The statement of profit or loss and other comprehensive income for the year ended 30 June, 2023 indicates that the Company incurred Kshs.22,260,942 on personnel costs

out of total operating expenses of Kshs.45,211,152 which translates to 49% of total operating expenses. This is higher than the recommended threshold of 40% in accordance with the WASREB Guidelines. As a result, the expenditure was 9% above industrial benchmark.

The excess personnel costs may negatively impact on the Company's profitability and sustainability of services if measures are not put in place to contain the cost within the acceptable levels.

4. Non-compliance with Law on Staff Ethnic Diversity

Review of Human Resource records revealed that the Company had thirty-eight (38) employees in the year under review out of which, thirty-two (32) or 84% were drawn from the dominant ethnic community in the County. This was contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, 2008, which requires that no public establishment shall have more than one third of its staff from the same ethnic community.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. Lack of a Risk Management Policy

The Company did not have a Risk Management Policy and Framework during the year under review, contrary to requirement of Regulation 158 (1) (a) and (b) of Public Finance Management (County Governments) Regulations, 2015, which provides that the Accounting Officer shall ensure that the government entity develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

In the circumstances, the Company may be exposed to various risks in management of public funds.

2. Information Communication Technology (ICT) Control Deficiencies and Lack of Disaster Recovery Plan

The Company does not have a Disaster Recovery Plan in place for business continuity planning, reliable information technology infrastructure, process, and business model to reduce the impact of natural disasters and outages. The Company may not recover and protect the ICT infrastructure in the event of disaster.

In the circumstances, reliability and safety of the information technology infrastructure, process, and business model could not be confirmed.

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

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

Responsibilities of Management and the 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 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 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.

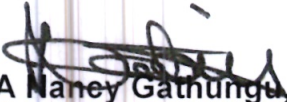
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

22 March, 2024

OI Kalou Water and Sanitation Company Ltd.
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14. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2023.

	Note	2022/2023	2021/2022
		Kshs	Kshs
REVENUES			
Operating Revenue	6	38,848,525	37,155,380
In-Kind Contributions	7	1,198,620	2,237,220
Recurrent/operational grants - WSTF	8	-	4,642,220
Other Income	9	2,676,258	10,651,523
TOTAL REVENUES		42,723,403	54,686,343
OPERATING EXPENSES			
Administration Costs			-
Staff cost	10	22,260,942	20,016,215
General & Operation Expenses	11	11,136,169	13,034,272
Board Expenses	12	-	-
Maintenance Expenses	13	11,552,542	14,069,917
Depreciation & Amortisation	14	261,499	154,260
TOTAL OPERATING EXPENSES		45,211,152	47,274,664
OPERATING PROFIT/(LOSS)	15	(2,487,749)	7,411,679
PROFIT/(LOSS) BEFORE TAXATION	15	(2,487,749)	7,411,679
PROFIT/(LOSS) AFTER TAXATION		(2,487,749)	7,411,679

Ol Kalou Water and Sanitation Company Ltd.
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For the year ended June 30, 2023

15. Statement of Financial Position as at 30 June 2023

	Note	2022/2023	2021/2022
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	16	42,157,501	42,043,050
Intangible assets	17	-	-
Total Non-Current Assets		42,157,501	42,043,050
Current Assets			
Inventories	18	1,110,379	1,027,484
Net Trade Receivables	19	9,293,044	8,547,979
Deposits and prepayments	20	808,515	808,515
Bank and cash balances	21	5,761,971	7,197,714
Total Current Assets		16,973,909	17,581,692
TOTAL ASSETS		59,131,410	59,624,742
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	22	100,000	100,000
Retained Earnings		(4,804,402)	(650,222)
Grant	16	41,416,824	41,416,824
Capital reserve	23	1,666,431	-
Capital and Reserves		38,378,853	40,866,602
Non-Current Liabilities			
Customer Deposits	27	5,030,851	4,662,681
Current Liabilities			
Trade and other payables	26	15,721,706	14,095,459
Total Current Liabilities		15,721,706	14,095,459
TOTAL EQUITY AND LIABILITIES		59,131,410	59,624,742

The financial statements were approved by the Management committee on 27th September 2023 and signed on its behalf by:



Mr. Simon T. Wanjiku
Ag. Managing Director
Chairman – Management Committee



Mr. Mwangi Joseph
Commercial Manager
Member Management Committee



Mrs. Dixon Njoroge
Ag. Technical Manager
Member Management Committee

Ol Kalou Water and Sanitation Company Ltd.
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16. Statement of Changes in Equity for the Year Ended 30 June 2023

	Ordinary share capital(Kshs.)	Capital reserve(Kshs.)	Retained earnings(Kshs.)	Grants(Kshs.)	Total(Kshs.)
At June 30, 2021	100,000	1,666,431	(8,061,901)	41,416,824	35,121,354
Total comprehensive income		(1,666,431)	7,411,679		5,745,248
At June 30, 2022	100,000	-	(650,222)	41,416,824	40,866,602
Prior year adjustment		1,666,431	(1,666,431)		-
Adjusted balances 2022	100,000	1,666,431	(2,316,653)	41,416,824	40,866,602
Total comprehensive income			(2,487,749)		(2,487,749)
At June 30, 2023	100,000	1,666,431	(4,804,402)	41,416,824	38,378,853

OI Kalou Water and Sanitation Company Ltd.
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For the year ended June 30, 2023

17. Statement of Cash Flows for the Year Ended 30 June 2023

	Note	2022/2023	2021/2022
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts		40,696,823	40,543,635
In-Kind contributions	7	1,198,620	2,237,220
Grant	9	-	4,642,220
Other income		-	5,463,067
Customer Deposits		743,500	1,297,951
Total Receipts		42,638,943	54,184,093
Payments			
Staff Costs		22,260,942	20,016,215
General And Operation Expenses		9,509,922	12,716,445
Board Expenses		-	-
Maintenance Expenses		11,552,542	14,069,917
Refund Of Customer Deposits	27	375,330	500,370
Prepayments		-	808,515
Total Payments		43,698,736	48,111,462
Net Cash From/ (Used In) Operating Activities	28	(1,059,793)	6,072,631
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)	16	(375,950)	(104,190)
Net Cash From/ (Used In) Investing Activities		(375,950)	(104,190)
Increase/(Decrease) In Cash and Cash Equivalents		(1,435,743)	5,968,441
Cash And Cash Equivalents At Beginning Of Year	28	7,197,714	1,229,273
Cash And Cash Equivalents At End of the Year	28	5,761,971	7,197,714

OI Kalou Water and Sanitation Company Ltd.
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18. Statement of Comparison of Budget & Actual Amounts for the Period Ended 30 June 2023

	Final budget	Actual on comparable basis	Performance difference	
	2022-2023	2022-2023	2022-2023	
Revenue Item	Budget Kshs.	Actual Kshs.	Variance Kshs.	% Variance
Water Charges	40,800,000	37,538,225	(3,261,775)	-7.99%
Sewerage Charges	5,000,000	-	(5,000,000)	-100.00%
New Connection Fee (Labour Fees + sewerage)	500,000	549,000.00	49,000	9.80%
Reconnection Fee	1,000,000	987,800.00	(12,200)	-1.22%
Penalties	900,000	689,500	(210,500)	-23.39%
Meter Rent	1,450,000	1,404,750	(45,250)	-3.12%
Meter Testing	20,000	8,000	(12,000)	-60.00%
Sale Of Tender	10,000	-	(10,000)	-100.00%
Dtf Revenue	450,000	314,500	(135,500)	-30.11%
Trenching	20,000	33,008.00	13,008	65.04%
Grant From WSTF	16,632,000	-	(16,632,000)	-100.00%
In-Kind Contribution	-	1,198,620.00	1,198,620	100.00%
Total Budget	66,782,000	42,723,403	(24,058,597)	-36.03%

Expenditure Item	Budget Kshs	Actual Kshs	Variance Kshs	% Variance
Operation, Maintenance, and Staff cost	66,778,000	44,949,653	(21,828,347)	-32.69%
Depreciation of property	-	261,499	261,499	100%
Total Expenditure	66,778,000	45,211,152	(21,566,848)	-32.30%

Ol Kalou Water and Sanitation Company Ltd
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- I. Ol Kalou Water and Sanitation Company had estimated its water sale on average at Kshs. 3.4 million per month which it only achieved 3.13 million due to prolonged dry spell hence low water supply*
- II. The company prepared its budget on assumption that the sewerage project could have been completed during the year and operationalized, unfortunately this was not actualized.*
- III. The estimated number of new connection (water and initial sewerage connections) was estimated to be 500. This number was surpassed as the Ol Kalou Sewerage project came with a way to entice the potential applicants by constructing an inspection chamber, free of charge) for all those that applied for the sewerage connections prior to end of June 2023*
- IV. Ol Kalou Water and Sanitation Company had estimated its penalties on average at Kshs. 75,000 per month which it fell short by 23%*
- V. The meter testing had been estimated at a total of 40 paid tests but actualized 16.*
- VI. The company had estimated sale of 10 tenders for the donor fund project but did not materialise during the year.*
- VII. The company applied for UPC 8th Call grant from WSTF and the approved amount that was to be disbursed was Kshs. 16,682,000 which was not actualized during the year*
- VIII. The company estimated a minimum of 3 Exhausters per day @ Kshs. 500 for 300 working days and Saturdays that was not met as it is based on demand.*
- IX. In –Kind donation of Kshs. 1,198,620 refers to the salary paid to the seconded staff by the Nyandarua County Government. This is paid directly to the staffs' personal bank accounts.*

19. Notes to the Financial Statements

1. General Information

Ol Kalou Water & Sanitation Company Limited is established by and derives its authority and accountability from Company Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is provision of water and sanitation services.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Ol Kalou Water & Sanitation Company's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Ol Kalou Water & Sanitation Company*.

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

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

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

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.

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

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*

OLWASCO did not early – adopt any new or amended standards in year under review.

4. Summary of 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 goods and services** is recognized in the year in which Ol Kalou Water and Sanitation Company Ltd. delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) Grants from Government Entities** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) Other income** is recognised as meter rent, new connection fee (all as generated from the billing software for their specific categories) and sale of tender

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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

d) Depreciation and impairment of property, plant and equipment

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line/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:

Buildings and civil works	2.5%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%

e) Intangible assets

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

f) Amortization and impairment of intangible assets

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

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

g) Inventories

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

h) Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted 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 the Co-operative Bank of Kenya at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term Petty cash.

j) Trade and other payables

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

k) Retirement benefit obligations

The OI Kalou Water and Sanitation Company Limited remits the staff gratuity to a Fund Manager for its contracted staff. 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 as per employees' salary scale.

l) Budget information

The original budget for Financial Year 2022-2023 was approved by the Management Committee.

The OI Kalou Water and Sanitation Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance.

m) Comparative figures

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

n) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

a) Provisions

Provision for bad debt at 10% was raised and management determined an estimate based on the information available. Additional disclosure of this estimate is included in Note 19 (a).

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Notes to the financial statements (continues)

6. Operating Revenue

	2022/2023	2021/2022
	Kshs	Kshs
Gross sales of goods - Water Sales	37,538,225	36,884,880
Gross sales of services	314,500.00	270,500.00
Billing for other services	995,800	-
Total	38,848,525	37,155,380

Gross sales of services is Decentralised Treatment Facility

Billing for other services refers to income generated from services reconnection fees and meter testing.

7. In-Kind Donation

	2022/2023	2021/2022
	Kshs	Kshs
Secoded personnel	1,198,620	2,237,220
Total	1,198,620	2,237,220

8. Grants Income

	2022/2023	2021/2022
	Kshs	Kshs
Recurrent/operational grants - WSTF	-	4,642,220
Total	-	4,642,220

9. Other Income

	2022/2023	2021/2022
	Kshs	Kshs
Fines and penalties	689,500	833,500
Other miscellaneous receipts	1,986,758	2,688,525
Creditors written off/Reconciled	-	7,129,498
Total	2,676,258	10,651,523

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10. Staff Costs

	2022/2023	2021/2022
	Kshs	Kshs
Salaries for contract and permanent employees	14,108,196	10,632,833
Wages of temporary employees	591,840	1,929,988
Salaries - seconded	1,198,620	2,237,220
Compulsory national health insurance schemes	-	13,200
Compulsory national social security schemes-company	398,520.00	271,056
Gratuity	2,530,675	2,068,546
Annual staff welfare	370,000	330,000
Commission of Domestic taxes- PAYE - company	-	63,071
Overtime and standby and other allowances	1,525,872	1,401,200
Medical Cover	1,537,219	1,069,101
Total	22,260,942	20,016,215
The average number of employees at the end of the year was:		
Permanent employees – Management	3	3
Permanent employees – Unionisable	2	1
Temporary and Contract employees	33	30
Total	38	34

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11. General and Operations Expenses

	2022/2023	2021/2022
	Kshs	Kshs
Travel and subsistence	1,631,340	2,353,950
Printing & Stationeries	141,510	196,967
Advertising and publicity	146,160	-
Telephone and postage	656,715	480,810
staff training	308,700	281,100
WRA	835,568	386,639
WASREB	1,647,249	1,596,671
Subscription to professional bodies	140,000	140,000
Upper Malewa Levy	60,000	60,000
Staff rewards	285,000	254,900
Office expenses	306,208	255,885
Office Tea and general supplies	347,889	323,337
Uniform	598,900	620,620
Electricity	2,119,990	3,026,978
Professional fees- audit fees	348,000	348,000
Insurances, Licences & Permits	87,827	54,620
Meeting expenses	597,740	407,320
Newspapers and periodicals	16,320	15,000
Contracted professionals	30,550	292,549
Motor vehicle fuel	535,738	320,801
Provision for bad debts	82,785	170,600
Bank Charges	47,280	47,648
Sports and Games	45,000	1,235,877
Stakeholders' meeting	60,700	-
Water analysis	59,000	114,000
Total General & Operation Expenses	11,136,169	13,034,272

12. Board Expenses

	2022/2023	2021/2022
	Kshs	Kshs
Directors emoluments	-	-
Total Board Expenses	-	-

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13. Maintenance Expenses

	2022/2023	2021/2022
	Kshs	Kshs
Software expenses	382,500	251,400
Repairs - computers	233,549	187,950
Repairs & maintenance (Piping extensions)	9,176,177	9,761,697
Water meter supply	1,280,000	2,498,000
Motor vehicle expenses (maintenance & Repair)	312,306	568,910
Maintenance building	93,900	749,530
Other expenses (tools, generator, & furniture repair)	74,110	52,430
Total Maintenance Expenses	11,552,542	14,069,917

14. Depreciation and Amortization Expenses

	2022/2023	2021/2022
	Kshs	Kshs
Depreciation of property, plant and equipment	261,499	154,260
Amortisation of intangible assets	-	-
Total Depreciation and Amortisation	261,499	154,260

15. Operating Profit/(Loss)

	2022/2023	2021/2022
	Kshs	Kshs
Operating revenue	38,848,525	37,155,380
In-Kind Contributions	1,198,620	2,237,220
Other Income	2,676,258	10,651,523
Recurrent/operational grants - WSTF	-	4,642,220
TOTAL REVENUES	42,723,403	54,686,343
The operating profit/(loss) is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	261,499	154,260
Staff cost	22,260,942	20,016,215
Board Expenses	-	-
General & Operation Expenses	11,136,169	13,034,272
Maintenance Expenses	11,552,542	14,069,917
TOTAL COST OF OPERATION	45,211,152	47,274,664
OPERATING PROFIT/(LOSS)	(2,487,749)	7,411,679

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16. Property, Plant and Equipment

	WSTF PROJECT (GRANT) (Kshs.)	FURNITURES & FITTINGS (Kshs.)	OFFICE EQUIPMENTS (Kshs.)	BUILDINGS (Kshs.)	COMPUTER & ACCESSORIES (Kshs.)	
COST						
As at July 1 st 2021	41,416,824	12.50%	12.50%	2.50%	30%	
Additions		264,331	122,766	0	289,199	42,093,120
Transfers		104,190				104,190
Disposals						
As at June 2022	41,416,824	368,521	122,766	0	289,199	42,197,310
Accumulated depreciation						
As at 30 th Jun 2021		37,762	13,824	66,392	123,942	241,920
As at 30 th Jun 2022		46,065	12,096	0	96,099	154,260
		83,827	25,920	66,392	220,041	396,180
NET BOOK VALUE						
As at 30 th Jun 2021	41,416,824	264,331	122,766	0	289,199	42,093,120
As at 30 th Jun 2022	41,416,824	322,456	110,670	0	193,100	42,043,050
As at July 1 st 2022	41,416,824	322,456	110,670	0	193,100	42,043,050
Additions		289,950			86,000	375,950
Transfers						
Disposals						
As at June 2023	41,416,824	612,406	110,670	0	279,100	42,419,000
Accumulated depreciation						
As at 30 th Jun 2021		37,762	13,824	66,392	123,942	241,920
As at 30 th Jun 2022		46,065	12,096	0	96,099	154,260
As at 30 th Jun 2023		129,455	10,584	0	121,460	261,499
		213,282	36,504	66,392	341,501	657,679
NET BOOK VALUE						
As at 30 th Jun 2021	41,416,824	264,331	122,766	0	289,199	42,093,120
As at 30 th Jun 2022	41,416,824	322,456	110,670	0	193,100	42,043,050
As at 30 th Jun 2023	41,416,824	482,951	100,086	0	157,640	42,157,501

16 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Furniture and fittings	934,545	451,594	482,951
Office equipment	183,450	83,364	100,086
Computers & Accessories	1,201,480	1,043,840	157,640
WSTF projects	41,416,824	-	41,416,824
Buildings	74,585	74,585	0
	43,810,884	1,653,383	42,157,501

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17. Intangible Assets

The billing software was to be amortised for three financial years. Financial year 2019/2020 was the last and final year for the system to be amortised thus the whole residual value was amortised.

	2022/2023	2021/2022
	Kshs	Kshs
COST		
At July 1 2022	0	0
Additions	0	0
Disposals	0	0
At June 30 2023	0	0
AMORTISATION		
At July 1 2022	0	0
Charge for the year	0	0
Disposals	0	0
Impairment loss	0	0
At June 30 2023	0	0
NET BOOK VALUE		
At June 30 2023	0	0

The said intangible asset in the company is the billing software

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18. Inventories

	2022/2023	2021/2022
	Kshs	Kshs
Engineering stores Opening Balance As at 1st July	957,264	5,161,814
additions	9,720,805	11,460,290
	10,678,069	16,622,104
Issues	(9,637,155)	(15,664,840)
Engineering stores Closing Balance As at 30th June	<u>1,040,914</u>	<u>957,264</u>
Stationery and general stores Opening Balance As 1st July	70,220	95,480
additions	110,565	133,380
	180,785	228,860
Issues	(111,320)	(158,640)
Stationery and general stores Closing Balance 30th June	<u>69,465</u>	<u>70,220</u>
Total Inventories closing balance as at 30th June	<u>1,110,379</u>	<u>1,027,484</u>

19. Trade and Other Receivables

	2022/2023	2021/2022
	Kshs	Kshs
Gross trade receivables (billings)	10,325,604	9,497,754
Other: Provision for bad and doubtful receivable	(1,032,560)	(949,775)
Net trade receivables	9,293,044	8,547,979
Deposits and prepayments	808,515	808,515
Total trade and other receivables	10,101,559	9,356,494

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19. (a) Trade Receivables

	2022/2023	2021/2022
	Kshs	Kshs
Gross trade receivables for the year	10,325,604	9,497,754
Gross trade receivables b/d	9,497,754	11,203,751
Change in Trade receivables	827,850	1,705,997
Provision for doubtful debts change	82,785	170,600
	82,785	170,600
	=====	=====

20. Short Term Deposits

	2022/2023	2021/2022
	Kshs	Kshs
Deposits & Pre Payments		
National Oil-Fuels	80,000	80,000
KPLC	22,000	22,000
WASREB- Performance Guarantee	706,515	706,515
	808,515	808,515

21. Bank and Cash Balances

	2022/2023	2021/2022
	Kshs	Kshs
Cash at bank	5,711,971	7,147,714
Cash in hand	50,000	50,000
	=====	=====
	5,761,971	7,197,714
	=====	=====

The bulk of the cash at bank was held at Co-operative Bank of Kenya Bank, Olwasco's main bankers.

21(a) Detailed analysis of the cash and cash equivalents

		2022/2023	2021/2022
		Kshs	Kshs
a) Current account			
Cooperative Bank of Kenya	1109467355000	138,950.58	1,595,701.58
Cooperative Bank of Kenya	1148467355000	542,169.48	889,310.26
Cooperative Bank of Kenya	1109467355001	5,030,851.17	4,662,681.17
Cooperative Bank of Kenya	1148467355003	-	20.51
Sub- total		5,711,971.23	7,147,713.52
Cash in hand		50,000.00	50,000.00
Grand - Total		5,761,971.23	7,197,713.52

21(b) Customer Deposit Account

		2022/2023	2021/2022
		Kshs	Kshs
Cooperative Bank of Kenya	1109467355001	5,030,851.17	4,662,681.17

22. Ordinary Share Capital

	2022/2023	2021/2022
	Kshs	Kshs
Authorised:		
5000 ordinary shares of Kshs. 20 par value each	100,000	100,000
Issued and fully paid:		
5000 ordinary shares of Kshs.20 par value each	100,000	100,000

23. Capital Reserve

The figure relates to the variance between assets inherited from the Ministry of Water and liabilities during the inception of the company that was treated as capital reserve

24. Retained Earnings

The retained earnings represent amounts available for distribution to the entity's shareholders. Undistributed retained earnings are utilised to finance the entity's business activities.

25. Retirement Benefit Obligations

The OI Kalou Water & Sanitation Company operates a defined benefit scheme with CPF Financial Services Limited for all full-time employees from April 30, 2017. The scheme is based on 31 percentage of the basic salary of an employee and submitted to the fund manager on monthly basis apart from for one employee. The liability at the end of the year is as follows:

	2022/2023	2021/2022
	Kshs	Kshs
Valuation at the beginning of the year	-	-
Changes in valuation during the year- addition	2,530,675	2,068,546
Changes in valuation during the year -payment	(2,530,675)	(2,068,546)
Valuation at end of the year	-	-

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.1,080 per employee per month.

26. Trade and Other Payables

	2022/2023	2021/2022
Trade payables	Kshs	Kshs
Office of Auditor General	696,000.00	696,000.00
CRVWWDA	13,255,203.0 0	13,255,203.0 0
WASREB	536,068.20	138,254.80
WRA	635,934.39	-
NATIONAL OIL	-	6,000
JATEVANVE ENTERPRISES	598,500.00	0.00
TOTAL	15,721,706	14,095,458

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Aging Analysis for Trade and other Payables

	2022/2023	% of the total	2021/2022	% of the total
Under one year	2,118,502.59	13%	492,254.80	3%
1-2 years	348,000.00	2%	348,000.00	2%
2-3 years	-	0%	-	0%
Over 3 years	13,255,203.00	84%	13,255,203.00	94%
Total	15,721,706		14,095,458	

27. Customer Deposits

	2022/2023	2021/2022
	Kshs	Kshs
Customer Deposit b/d	4,662,681	4,087,221
Add : Customer deposits for the yr	743,500	1,076,330
Gross Customer deposit	5,406,181	5,163,551
Less :Deposits refund and transfers	(375,330)	(500,870)
TOTAL	5,030,851	4,662,681

28. Notes to The Statement of Cash Flows

	2022/2023	2021/2022
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	(2,487,749)	7,411,679
Depreciation & Amortisation	261,499	154,260
Prior year adjustment of operating profit/(loss)	-	(1,666,431)
Operating profit/(loss) before working capital changes	(2,226,250)	5,899,508
(Increase)/decrease in inventories	(82,895)	4,229,810
(Increase)/decrease in total trade and other receivables	(745,065)	1,535,397
Increase/(decrease) in trade and other payables	1,626,247	(5,531,029)
Increase/(decrease) customer deposits	368,170	(1,297,951)
Prior year adjustment of Increase/(decrease) in total trade and other receivables	-	(706,515)
Prior year adjustment of Increase/(decrease) customer deposits	-	1,943,411
Cash generated from/(used in) operations	1,166,457	173,123
Net cash used in operating activities	(1,059,793)	6,072,631

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(b) Analysis of cash and cash equivalents		
Cash at bank	5,711,971	7,147,714
Cash in hand	50,000	50,000
Cash and cash equivalent at 30 June 2023	<u>5,761,971</u>	<u>7,197,714</u>
Balance at end of the year	<u>5,761,971</u>	<u>7,197,714</u>

Other Disclosures

29. Related Party Disclosures

County Government of Nyandarua

The County Government of Nyandarua is the principal shareholder of the OI Kalou Water and Sanitation Company Ltd., holding 100% of the company's equity interest. County Government of Nyandarua has provided full guarantees to all long-term lenders of the OI Kalou Water & Sanitation Company, both domestic and external

Other related parties include:

- i) The Parent Ministry
- ii) WASREB
- iii) WSFT
- iv) CRVWWDA
- v) WARMA
- vi) Key management
- vii) Board of directors

Transactions with related parties

	2022/2023	2021/2022
	Kshs	Kshs
a) Sales to related parties		
Water sales to Govt. agencies	1,023,918	1,634,370
Total	1,023,918	1,634,370
b) Purchases from related parties		
Purchases of electricity from KPLC	2,119,990	3,026,978
Laboratory services from CRVWWDA	59,000	114,000
Total	2,178,990	3,140,978
b) Grants from the Government		
Donations in kind –County Govt. of Nyandarua	1,198,620	2,237,220
Operational Grant - WSTF	-	4,642,220
Total	1,198,620.00	6,879,440
c) Key management compensation		
Compensation to key management	1,407,754	1,746,234.48
Total	1,407,754	1,746,234.48

30. Contingent Assets and Liabilities

The Entity's legal matters are handled by the County Government of Nyandarua – Legal department.

The Company has a pending legal case with Thika Motors, hence it may incur Ksh. 12,450,000 depending on the final verdict.

In the opinion of the directors, no provision is required in these financial statements as the liabilities are not expected to crystallize.

31. Financial Risk Management

The company's activities expose it to a variety of financial risks including market risk, credit risk, liquidity risks, operational risks and interest rate risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

The directors have overall responsibility for the establishment and oversight of the company's risk management framework.

(i) Credit risk

The company has exposure to credit risk, which is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from the trading activities as well as placement and balances with other counterparties. The company inherited non-performing debts from the Ministry of Water and Irrigation. The credit control function assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. In addition, receivable balances are monitored on an on-going basis which minimizes the company's exposure to bad debts. The directors have the responsibility of managing the company's credit risk.

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 entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade payables	-	536,068	1,930,434	2,466,502
Total	-	536,068	1,930,434	2,466,502
At 30 June 2022				
Trade payables	6,000	138,255	696,000	840,255
Total	6,000	138,255	696,000	840,255

(iii) Market risk

Market risk is the risk that the fair value or future cash flows will fluctuate due to changes in market variables such as foreign exchange rates, interest rates and inventory prices. The management monitors and control this risk.

The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing on the return on the risk.

iv) Capital Risk Management

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

	2022/2023	2021/2022
	Kshs	Kshs
Grant	41,416,824	41,416,824
Retained earnings	(4,804,402)	(650,222)
Capital reserve	1,666,431	-
Total funds	38,278,853	40,766,602
Total borrowings	-	-
Less: cash and bank balances	(5,761,971)	(7,197,714)
Net debt/(excess cash and cash equivalents)	32,516,882	33,568,888

32. Incorporation

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

33. Events After the Reporting Period

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

20. 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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Long Outstanding Trade and Other Payables	It is true that Kshs. 13,255,203 levies payable to CRVWDA as been outstanding for more than five years. This has been as a result of financial constraints for the WSP. The Management hopes that with the upcoming Sewerage Project, its financial situation will improve and will be able to offset the amount though in part payment.	Not Resolved	Once the financial situation of the company improves. 30-9-2024
2	Long Outstanding Trade and Other Receivables	The management has instituted strict recovery measures including engagement of Water Police Unit to enforce debt recovery. Most of the debts are over 10 years old. The company's Credit /Debt Management Policy is under review for amendments to incorporate the increase in provision for bad debts from 10% to 45% on the outstanding debt over one financial year. The draft Revenue Collection and Debt Management/Recovery strategy is ready.	Recovery is progressive	Recovery is progressive. Review of provision for bad debts by 31-03-2024
3	Unsupported movement in Capital reserves	The figure relates to the variance between assets inherited from the Ministry of Water and liabilities during the inception of the company that was treated as capital reserve. The description on note 23 was erroneous and has been	Resolved	Resolved

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		corrected in the current financial year 2022/2023. In addition, the movement has been reversed/adjusted in the current financial statements for the financial year 2022/2023		
4	Inaccurate property, plant, and equipment balances	These assets have not been disclosed in the financial statement because they have not been handed over. Water Act 2016 section 83 states that Water service provider shall hold the county or National Public Water Services Assets on behalf of the public. On Section 84 (1) the cabinet Secretary shall make regulation for the transfer of assets to the water service provider in accordance to the law. This is yet to be done.	Not Resolved	Once the regulations are in place.
5	Inaccurate statement of cashflows	The management concurs with the audit findings. This error has been adjusted in the current financial year 2022/2023 financial statement.	Resolved	Resolved
Basis for conclusion 1	Excessive Non-Revenue Water	We have been working to reduce the Non-Revenue Water (NRW) by mainly focusing on rehabilitating the dilapidated water pipelines, intensifying line patrol, replacing faulty customer water meters, and crackdown on illegal connections to curb water loss currently at 36%. The management has developed a Non-Revenue Water Reduction /Management strategy to aid in the fighting against NRW	Progressive	Progressive
2	Use of unapproved water tariffs	In order to include the Loan Component and the Sewerage Charges in the new tariff, it was agreed that the new tariff be	Application done	29-02-2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		developed as part of the institutional strengthening under the OI Kalou Water and Sewerage Project. This was done during the current financial year 2022/2023 and submitted to WASREB for evaluation and approval.		
Basis for conclusion 1	Lack of Risk Management Policy	The management has developed a draft risk and fraud management policy awaiting approvals by the Board of Directors once in place.	Not Resolved	Once the Board is in place 31-03-2024
2	ICT Control Deficiencies and Lack of Disaster Recovery Plan	The management is formulating an IT policy and Disaster Recovery Plan as part of the Institutional Strengthening under the ongoing OI Kalou Water and Sewerage Project	Not Resolved	Once the Board is in place 31-03-2024
3	Lack of Board of Directors.	The County Government of Nyandarua is in the process of formulating the Board of Directors. An advert for the Board of Directors positions was placed on the dailies on 25 th September 2023.	Not Resolved	31-01-2024

Name: Simon T. Wanjiku

Signature

Ag. Managing Director

Date..... 27/3/2023

Appendix II: Projects Implemented by the Company

There was no any project implemented by the company during the financial year under review.

Appendix III- Inter-Entity Confirmation Letter

There was no any inter- entity transfers during the financial year under review

Appendix IV: Reporting of Climate Relevant Expenditures

There was no any climate relevant expenditures during the financial year under review

Appendix V: Reporting Disaster Management Expenditure

There was no any disaster expenditures during the financial year under review

Appendix VI: Recording of Transfers from Other Government Entities

There was no transfers from other government entities during the financial year under review