

REPUBLIC OF KENYA



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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**OLKEJUADO WATER AND SEWERAGE  
COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2020**

PAPERS LAID	
DATE	09/03/2022
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**OLKEJUADO WATER AND SEWERAGE COMPANY LIMITED**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2020**

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

**Olkejuado Water and Sewerage Co. Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

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# Olkejuado Water and Sewerage Co. Ltd Annual Reports and Financial Statements For the year ended June 30, 2020

## I. key olkejuado water & sewerage co. Ltd information

### Background information

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

### Principal Activities

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

### Directors

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

<b>Name</b>	<b>Designation</b>	
1. Mr. Michael Semera October, 2017	County Representative	Appointed 1 <sup>st</sup>
2. Mr. Alais Kisota October, 2017	County Representative	Appointed 1 <sup>st</sup>
3. Julius Paita	Ag. Managing Director	1 <sup>st</sup> September, 2020
4. Peter Juma August, 2020	Ag. Managing Director-14 <sup>th</sup> December, 2017 -31 <sup>st</sup>	

**Olkejuado Water and Sewerage Co. Ltd  
Annual Reports and Financial Statements  
For the year ended June 30, 2020**

**Key Olkejuado water & sewerage co. Ltd information (Continued)**

**Registered Office**

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

**Olkejuado Water & Sewerage Co. Ltd Headquarters**

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

**Olkejuado Water & Sewerage Co. Ltd Contacts**

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

**Olkejuado Water & Sewerage Co. Ltd Bankers**

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

**Independent Auditors**

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

**Principal Legal Advisers**

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

**Olkejuado Water and Sewerage Co. Ltd  
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**COUNTY GOVERNMENT REPRESENTATIVES**



**Director Michael Semera**  
**Date of Birth:**  
**Key Qualifications**

**Work Experience:**

**Responsibilities**

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

Olkejuado Water and Sewerage Co. Ltd  
Annual Reports and Financial Statements  
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Director Allais Kisota  
Date of Birth:  
Key Qualifications

Work Experience:

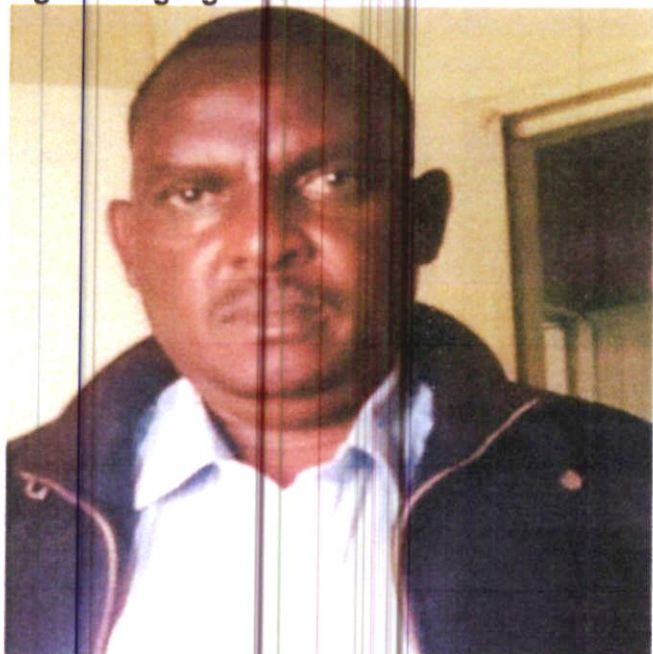
**Responsibilities**

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

**Olkejuado Water and Sewerage Co. Ltd**  
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**For the year ended June 30, 2020**

**MANAGEMENT TEAM**

**Ag. Managing Director**



**Julius K Paita**  
**Date of Birth: 1970**

**Key Qualifications**

- Diploma in Water Engineering
- Certificate in Water in Water Engineering


**Work Experience:**

- 1990 to 2006- National Water & Pipeline Corporation.
- 2006 to date Olkejuado Water & Sewerage Co. Ltd.

**Duties and responsibilities**

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

**Olkejuado Water and Sewerage Co. Ltd**  
**Annual Reports and Financial Statements**  
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-	-
<p><b>Technical Manager</b></p>  <p><b>Cynthia Simpano Koin</b></p> <p><b>Date of Birth:</b> 19<sup>th</sup> March, 1976</p> <p><b>Key Qualifications</b></p> <ul style="list-style-type: none"> <li>- Certificate in Water Engineering</li> </ul> <p><b>Working Experience</b></p> <ul style="list-style-type: none"> <li>- Dec 2014 to Dec 2017 – Namanga Water &amp; Sewerage Co.</li> <li>- August 2020 to date –Olkejuado Water &amp; Sewerage Company</li> </ul>	<p><b>Duties and Responsibilities</b></p> <ul style="list-style-type: none"> <li>- Ensure improvement and maintenance of current sources of water</li> <li>- Routine maintenance of civil works, mechanical and electrical equipment</li> <li>- Ensuring regular and reliable water service delivery consistent with available water resources.</li> <li>- Investigate new water sources and liaison with WSB, to develop those sources to improve service delivery.</li> <li>- Developing and improving strategies for effective service delivery.</li> <li>- Undertaking regular maintenance of service delivery infrastructure to minimize water losses.</li> <li>- Capital management program</li> <li>- Water demand management.</li> <li>- Preparation of departmental work plan</li> <li>- Attainment of service and quality standards defined.</li> </ul>

**Olkejuado Water and Sewerage Co. Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

**Accountant**



**Abner Sindani Nyagwanga**

**Date of Birth:** 12<sup>th</sup> May, 1987

**Key Qualifications**

- B-COM – (Finance)
- CPA (K)

**Work Experience:**

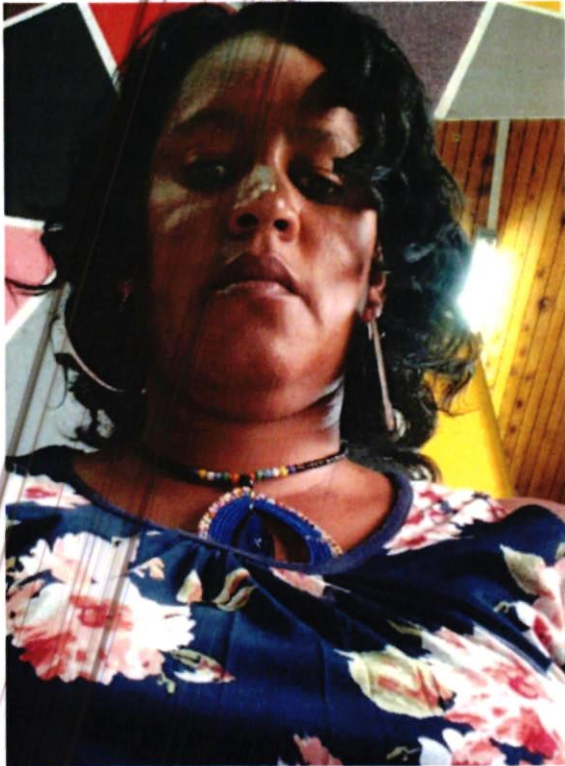
- July 2006-2011-United Aryan (EPZ)-Ruaraka.
- July 2011 -to date – Olkejuado Water & Sewerage Company

**Duties and Responsibilities**

- prepares a weekly summary of payments to be made based on funds available
- Reviews financial and accounting policies and procedures of the Company and advises the management accordingly
- Ensuring compliance with finance and accounting standards and regulations
- Participating in the preparation of budgets and implementation and controls as per approved levels.
- Ensuring timely preparation and presentation of financial reports to the Management for presentations to the Board of Directors as per approved policy.
- Attending to queries raised in the audit reports
- Ensuring that policies of fixed assets are followed and reconciliation report prepared as and when required
- Running and maintenance of the payroll
- Ensuring petty cash and imprest records are well maintained.
- Ensuring that cash books are well maintained and bank re-conciliations for all the accounts are done on time.
- Preparation of VAT and PAYEE returns and other statutory returns.
- Ensuring that payments to staff and suppliers are processed within the stipulated time.
- Preparation of timely monthly management reports and financial reports
- Ensure timely submission of financial statements and Audit file to the Auditor General for audit.
- Performance of Commercial Duties i.e
  - Timely and accurate billing and revenue collection
  - Promote and maintain healthy customer relations
  - Review billing reports
  - Analyze all accounts and put strategies of collecting overdue debts
- Performance of any other duty assigned by the Managing Director

**Olkejuado Water and Sewerage Co. Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

**Procurement Officer**



**Virginia Rarin Sabaya**

**Date of Birth:** 14<sup>th</sup> May, 1981

**Key Qualifications**

- B.CoM- (procurement & Logistics)
- Diploma in Supplies Management
- Certificate in Supplies.

**Work Experience:**

- 2006 to date –Olkejuado Water & Sewerage Company

**Duties and Responsibilities**

- Preparing, publishing and distributing procurement and disposal opportunities including invitations to tender, pre-qualification documents and invitations for expression of interest.
- To coordinating the receiving and opening of submitted tender documents.
- Maintaining and safeguarding procurement and disposal documents and records in accordance with the public procurement and disposal regulations 2006.
- Seeking approvals from the Tender committee of procurement committee as prescribed in the public procurement and disposal Act 2005.
- Co-coordinating the evaluation of tenders, quotations and proposals.
- Preparing and publishing notices for award and tender acceptance, preparing contract documents, preparing and issuing rejection and debriefing letters, preparing contract variations and modifications to documents as need may arise.
- Implementing the decision of the procurement committee, the tender committee, the disposal committee, including coordinating all activities of these committees and act as a secretariat to the tender, procurement and disposal committees.
- Preparing consolidated procurement or disposal plans and advising the aggregation of procurement to promoting economies of scale.
- Coordinating internal monitoring and evaluating of supply chain function, carrying out periodic market surveys, conduct periodic and annual stock taking, certifying invoices and payment to suppliers.

**Olkejuado Water and Sewerage Co. Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

**Human Resource Officer**



**Regina Sempayo Leshinka**

**Date of Birth:** 2<sup>nd</sup> July, 1989

**Key Qualifications**

- Diploma in Human Resource Management

**Work Experience:**

- October 2011 to date –Olkejuado Water & Sewerage Company

**Duties and Responsibilities**

- Recruiting, training and developing staff
- Making sure that staff get paid correctly and on time
- Pensions and benefits administration
- Approving job descriptions and advertisements
- Looking after the health, safety and welfare of all employees
- Organizing staff training sessions and activities
- Monitoring staff performance and attendance
- Advising line managers and other employees on employment law and the employer's own employment policies and procedures
- Ensuring candidates have the right to work at the organization
- Negotiating salaries, contracts, working conditions or redundancy packages with staff and representatives.

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

## **Annual Reports and Financial Statements**

### **For the year ended June 30, 2020**

#### **CECM- WATER & IRRIGATION STATEMENT**

On behalf of the County Government, I am encouraged by the integrity, responsiveness and sheer determination of the Directors, Management and employees which has been key in meeting water services needs within our area of jurisdiction despite the various challenges faced, it is therefore, with great pleasure that I present the Reports Financial Statement of the year ended 30<sup>th</sup> June 2020.

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

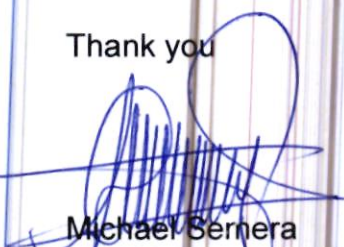
We have faced challenges of water demand exceeding the available water supply, aged and dilapidated reticulation system, limitation of the pipeline coverage, water losses and increased costs which outstretch the available revenues. Some of these challenges have been addressed through internally generated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

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

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

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

Thank you



**Michael Bernera**  
**CECM- Water & Irrigation**

# Olkejuado Water and Sewerage Co. Ltd

## Annual Reports and Financial Statements

### For the year ended June 30, 2020

#### REPORT OF THE MANAGING DIRECTOR

I am pleased to present the Annual Report and Financial Statements of OWASCO for the year ended 30<sup>th</sup> June 2020. This is the 14<sup>th</sup> annual report and financial statements for the OWASCO and demonstrates how far we have come.

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

#### **Financial Review**

During the year the Company made a loss of Kshs 1,729,584 compared to a loss of Kshs 5,162,776 during the last year.

#### **Service delivery**

During the year, as envisaged in one of our core values of customer focus, OWASCO continued to maintain satisfactory levels in service delivery. The water produced was distributed to customers equitably through a rationing programme. The average supply hours remained at 12hrs/day and the amount of water provided was an average of 1,510 M<sup>3</sup>/day.

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

#### **Business development**

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

#### **Appreciation**

I would like to appreciate all our stakeholders, more so the County Government of Kajiado and Development partners for the solid commitment and support during the year 2019/2020. To our esteemed Customers, thank you for your loyalty and support. It is through the hard work and dedicated effort of the County Government and Management that we are now able to celebrate together our achievements for 2019/20 financial year. Therefore to the management and staff at OWASCO, let us practice our core values of Customer focus, Professionalism, Teamwork, Integrity, Innovation and Creativity so as to make a difference in our country.

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



Julius K Paita

**MANAGING DIRECTOR**

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

## **Annual Reports and Financial Statements**

### **For the year ended June 30, 2020**

#### **CORPORATE GOVERNANCE STATEMENT**

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

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

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

- The Kenya Constitution 2010
- The Water Act 2016
- The Public Financial Management Act (2012)
- The Public Procurement and Disposal Act (2015)
- The Public Procurement and Disposal Regulations (2006)
- The OWASCO Service Charter
- Company approved policies and procedures

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

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

During the financial year 2019/2020 the company had not yet appointed the Board of Directors

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

## **Annual Reports and Financial Statements**

### **For the year ended June 30, 2020**

#### **CORPORATE GOVERNANCE STATEMENT (Continued)**

The company did not have the Board of Directors during the financial year 2019/2020

#### **Composition of the Board**

The company did not have the Board of Directors during the financial year 2019/2020

#### **Board Meetings**

The company did not have the Board of Directors during the financial year 2019/2020

#### **Board Committees**

The company did not have the Board of Directors during the financial year 2019/2020

#### **Report of the Directors**

The company did not have the Board of Directors during the financial year 2019/2020

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

## **Annual Reports and Financial Statements**

### **For the year ended June 30, 2020**

#### **MANAGEMENT DISCUSSION AND ANALYSIS**

The financial year ended 30<sup>th</sup> June 2020 was a very difficult year for Owasco due to various reasons

Water sources – the company has two water sources namely Bulk Water from Nol- Turesh Water & Sanitation Company serving Konza line and Kajiado Town & its environs and Borehole water serving Kajiado Town and its Environs, Ilbissil and Isinya schemes. During the financial year 2019/2020

1. the company did not receive any bulk water from Nol- Turesh. The production for Borehole water was low due to frequent power disconnection and Borehole breakdown. Also during the year the Company received little Bulk water from Nairobi City Water & sewerage Co. Ltd
2. Out dated Extra Ordinary Tariff – The Company has been operating under ETA.

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

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

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

The company operating under 2013 -2017 business plan and is on process of developing of another one for 2021-2024

This business plan would therefore;

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

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

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

## **Annual Reports and Financial Statements**

### **For the year ended June 30, 2020**

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

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

#### **Environment**

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

#### **Employees**

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

#### **Health and Safety**

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

# Olkejuado Water and Sewerage Co. Ltd

## Annual Reports and Financial Statements

### For the year ended June 30, 2020

#### REPORT OF THE DIRECTORS

Since we had no board during the financial year, the CECM- Water & Irrigation submit the report together with the financial statements for the year ended June 30, 2020, which show the state of Olkejuado Water and Sewerage Company affairs.

#### Principal activities

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

#### Results

The results of Olkejuado Water and Sewerage Company entity for the year ended June 30, 2020 are set out on page 7-23.

	2020 Kshs.	2019 Kshs
Profit/ (Loss) for the year	(1,729,584)	(5,162,776)

#### Directors

The company did not have the Board of Directors during the financial year 2019/2020.

#### Auditors

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



CECM-Water & Irrigation

17/03/2021  
Date

# Olkejuado Water and Sewerage Co. Ltd Annual Reports and Financial Statements For the year ended June 30, 2020

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of Olkejuado Water and Sewerage Company Limited's financial statements, which give a true and fair view of the state of affairs of the of Olkejuado Water and Sewerage Company Limited for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes:

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

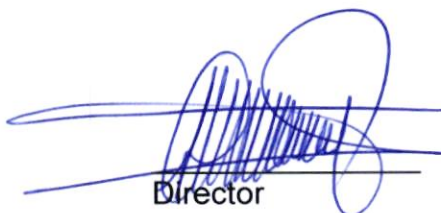
The Directors accept responsibility for Olkejuado Water and Sewerage Company Limited's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS),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

### Approval of the financial statements

The **OWASCO** financial statements were approved by the CECM-Water on **17/03/ 2021** and signed on its behalf by:



\_\_\_\_\_  
Director



\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## REPORT OF THE AUDITOR-GENERAL ON OLKEJUADO WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Olkejuado Water and Sewerage Company Limited set out on pages 7 to 31, which comprise the statement of financial position as at 30 June, 2020 and the statement of profit and 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 Olkejuado Water and Sewerage Company Limited as at 30 June, 2020, 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 Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

#### Basis of Qualified Opinion

##### 1.0 Errors in Presentation and Disclosures in the Financial Statements

Review of the financial statements for the year ended 30 June, 2020 submitted for audit reveals the following anomalies which have not been corrected by Management: -

- i. The statement of Directors' responsibilities at page xix indicate that Directors accept responsibility for the Company's financial statements. However, the financial statements were not approved by the Board as the Company does not have a Board in place.
- ii. The financial statements have omitted pages 1 to 6. The numbering of the financial statements starts at page 7.

- iii. The report on the progress on follow up of auditor recommendations is not included in the financial statements.

This is contrary to the format prescribed by the Public Sector Accounting Standard Board (PSASB) in accordance with Section 194(1) (d) of the Public Finance Management Act, 2012.

Consequently, the annual report and the financial statements for the year ended 30 June, 2020 as prepared and presented are not IFRS compliant.

## **2.0 Inaccuracies in Customer Deposits**

The statement of financial position and as disclosed in Note 10 reflects cash and cash equivalents balance of Kshs.21,548,746. Included in this amount is customer deposits balance of Kshs.13,854. However, payables analysis revealed deposits amount Kshs.1,641,380 owed to customers resulting to an unexplained and unreconciled variance of Kshs.1,627,526. Further, Management did not provide for audit the customers deposit register.

Consequently, the accuracy, completeness and fair statement of the customer deposit balance of Kshs.13,854 for the year ended 30 June, 2020 could not be confirmed.

## **3.0 Unsupported Tankering Income**

The statement of profit or loss and other comprehensive incomes and as disclosed in Note 6(b) to the financial statements reflects miscellaneous income balance of Kshs.8,257,420. Included in the balance is tankering income amount of Kshs.8,017,420. Management did not provide for audit documents in support of the income.

Consequently, the accuracy and completeness of the miscellaneous income of Kshs.8,257,420 as at 30 June, 2020 could not be confirmed.

## **4.0 Unsupported Administrative Expenses**

The statement of profit or loss and other comprehensive incomes and as disclosed in Note 7 to the financial statements reflects administrative costs amount of Kshs.8,927,084. Included in this amount is Kshs.6,898,045 relating to travelling, transport, fuel and gas expenses of Kshs.1,418,100, Kshs.3,464,831 and Kshs.2,015,114. Respectively. Management did not provide for audit documents in support of the expenses.

In the circumstances, the accuracy, completeness and validity of the travelling, transport, fuel and gas amount of Kshs.6,898,045 for the year ended 30 June, 2020 could not be confirmed.

## **5.0 Unsurrendered Imprest**

The statement of financial position reflects a balance of Kshs.32,575,930 in respect of trade and other receivable. Included in this amount is outstanding imprest balance of Kshs.1,036,444 relating to 2008 and 2010. However, imprest registers and schedules in support of the outstanding imprest balance were not provided for audit. Management did

not provide for explanations on the failure to account or recover the long outstanding imprest.

In the circumstances, the accuracy, completeness and recoverability of the long outstanding imprest balance of Kshs.1,036,444 for the year ended 30 June, 2020 could not be confirmed.

#### **6.0 Unsupported Property, Plant and Equipment Work-In-Progress (WIP)**

The statement of financial position and as disclosed in Note 8 to the financial statements reflects property, plant and equipment balance of Kshs. 19,126,775 as at 30 June, 2020. Included in this balance is work-in-progress balance with a net book value of Kshs.19,040,803. However, ownership documents and progress report for the work in progress were not provided for audit.

In the circumstances, the ownership and fair statement of the work in progress balance of Kshs.19,040,803 could not be confirmed.

#### **7.0 Undisclosed Inventories**

The financial statements do not disclosed inventories. However, audit inspection revealed presence of stock of inventories of undetermined value which include broken down, obsolete and unserviceable stores. The inventories were not supported by stock movement records or stores register and stocktaking reports as at 30 June, 2020.

#### **8.0 Unapproved Budget**

The Company prepared and operated with a revenue budget of Kshs.29,900,000 and an expenditure budget of Kshs.31,452,500. However, the budget was not approved by the Company Board and the County Executive Committee Member. This was contrary to Regulation 205(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the County Executive Committee Member responsible for the corporation approves the budget.

#### **9.0 Material Uncertainty in Relation to Going Concern**

The statement of financial position as at 30 June, 2020 reflects current liabilities balance of Kshs.82,377,272 against current assets of Kshs.54,124,676 resulting to a negative working capital of Kshs.28,252,596. Further, the Copany has reported negative retained earnings balance of Kshs.32,017,541. This material uncertainty casts significant doubts on the Company's ability to continue as a going concern. The above matters indicate that the Company is technically insolvent and may not be able to meet its current obligations as and when they fall due.

The financial statements have been prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the County Government and its creditors.

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

Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Information**

The Directors are responsible for the other information. The other information comprises the report of Directors as required by the Companies Act, 2015, and the statement of the Directors' responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date.

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

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that there is material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **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**

#### **1.0 Non-Revenue Water**

During the year under review, the Company produced 269,027 cubic meters (m<sup>3</sup>) of water out of which 118,912 cubic meters (m<sup>3</sup>) was billed to consumers resulting to unexplained water loss of 150,115 cubic meters (m<sup>3</sup>) which is equivalent to 56% of the total volume of water produced. This resulted to non-revenue water of 31% above the allowable water loss limit of 25% as per the Water Service Regulatory Board guidelines.

The NRW of 31% may have resulted in loss of water sales estimated at Kshs.19,502,800.

The significant level of non-revenue water is an indication of inefficiency and lack of effectiveness in the use of public resources and, may negatively impact negatively on the Company's profitability and its long-term sustainability.

## 2.0 Non-Remittance of Statutory Deductions, Lease and Regulatory Fees

Review of the financial statements revealed that the Company had not remitted statutory deductions, lease and regulatory fees amounting to Kshs.20,979,248 as at 30 June, 2020 as indicated below:

<b>Statutory Body</b>	<b>Unremitted Amount Kshs.</b>
National Hospital Insurance Fund	288,200
National Social Security Fund	668,200
Pay As You Earn	9,674,050
Tana Athi Water Works Development Agency - Lease Fees	7,709,397
Water Regulatory Management Authority - Lease Fees	1,189,483
Water Services Regulatory Board - Regulatory Fees	1,450,918
<b>Total</b>	<b>20,980,248</b>

Consequently, the Company was in breach of law and risks attracting fines and penalties.

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 Conclusions in Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that, nothing has else come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### Basis for Conclusion

#### 1.0 Corporate Governance - Failure to Appoint Board of Directors

The Company has been operating without a functional Board from October, 2015 since term of the Company's board of directors expired on 31 October, 2015. Without a

functioning Board, the Company lacked direction, leadership, monitoring and oversight over the use of resources by the Board. Further, without a functioning Board, the Company lacked strategic direction.

## **2.0 Lack of Internal Auditor Function**

The Company had not established an internal audit function. This was contrary to Section 155(1) of the Public Finance Management Act, 2012 which requires a county government entity to put in place measures to establish an internal audit function. Without a, internal audit function, the Company lacked oversight over operations and advice on internal controls, risk management and governance.

## **3.0 Lack of Risk Management Policy and Strategy**

The Company Management had not put in place risk management policy, strategies and risk register to mitigate against risk. It was, therefore, not clear how the management manages risk exposures. This is in contravention of Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that the county government entity develops risk management strategies, which include fraud prevention mechanism; and the county government entity develops a system of risk management and internal control that builds robust business operations.

## **4.0 Lack of Staff Establishment**

The Company did not have an authorized staff establishment record showing optimum staff levels that ought to be maintained to ensure efficient, quality and timely services to the citizens of the County contrary to Part II Section B2 of the Public Service Commission HR Policies 2016 and Article 235(1) of the Kenyan Constitution 2010.

In this circumstance, staff were not managed, organized, posted and transferred in accordance to requirements which may have resulted to excess staff that in turn may translate to unsustainable wage bill.

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

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

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

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit,
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books,

- (iii) The Company's statement of financial position and statement of comprehensive income are in agreement with books of account and
- (iv) In my opinion the information given in the report of the directors on page xviii, is consistent with the financial statements.

### **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 ability of the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the applicable 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 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 manner.

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

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

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

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

  
CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**10 February, 2022**

**Olkejuado Water and Sewerage Co. Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE  
YEAR ENDED 30 JUNE, 2020**

		<b>2020</b>	<b>2019</b>
<b>REVENUE</b>	<b>NOTES</b>	<b>KSHS</b>	<b>KSHS</b>
Water sales	<b>6. a</b>	12,299,055	12,386,014
Miscellaneous income	<b>6.b</b>	8,257,420	3,819,171
Government grant	<b>6.c</b>	3,825,028	4,735,529
Drought Mitigation Program	<b>6.d</b>	2,500,000	-
Other Income	<b>6.e</b>	-	142,950
<b>TOTAL REVENUE</b>		<b>26,881,503</b>	<b>21,083,664</b>
<b>EXPENDITURE</b>			
Administrative expenses	<b>7.a</b>	8,927,084	3,604,221
Staff costs	<b>7.b</b>	12,627,294	13,883,940
Operational costs	<b>7.c</b>	5,692,291	7,372,872
Lease fees and Statutory Fees	<b>7.d</b>	1,364,418	1,385,407
<b>TOTAL EXPENDITURE</b>		<b>28,611,087</b>	<b>26,246,440</b>
<b>Taxation Charge</b>		<b>-</b>	<b>-</b>
<b>NET PROFIT (LOSS) FOR THE YEAR</b>		<b>(1,729,584)</b>	<b>(5,162,776)</b>
Extra Ordinary Income	<b>6.f</b>	22,891,680	-
<b>NET PROFIT (LOSS) AFTER EXTRA ORDINARY INCOME</b>		<b>21,162,096</b>	<b>(5,162,776)</b>

**Olkejuado Water and Sewerage Co. Ltd**  
**Annual Reports and Financial Statements**  
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**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

<b>ASSETS</b>		<b>2020</b>	<b>2019</b>
	<b>NOTES</b>	<b>KSHS</b>	<b>KSHS</b>
<b>Non-current assets</b>	<b>8</b>	<b>19,126,775</b>	<b>19,139,113</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	<b>9(a)</b>	32,575,930	29,253,057
Cash & Cash Equivalents	<b>10</b>	21,548,746	54,014
<b>Total Current Assets</b>		<b>54,124,676</b>	<b>29,307,071</b>
<b>TOTAL ASSETS</b>		<b>73,251,451</b>	<b>48,446,184</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	<b>12</b>	40	40
Retained Earnings		(32,017,541)	(30,287,956)
Reserves		22,891,680	-
Net Accumulated Fund		<b>(9,125,821)</b>	<b>(30,287,916)</b>
<b>CURRENT LIABILITIES</b>			
Trade and other Payables	<b>13</b>	82,377,272	78,563,910
Bank Overdraft	<b>11</b>	-	170,190
<b>Total Liabilities</b>		<b>82,377,272</b>	<b>78,734,100</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>73,251,451</b>	<b>48,446,184</b>

The financial statements were approved by the Board on **17/03/2021** and signed on its behalf by:

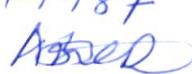
Managing Director

Name: **JULIUS PAITA**



Finance & Admin Manager

Name: **Abner Nyagwango**  
 ICPAK M/NO: **19987**



CECM-Water Irrigation

Name: **MICHAEL SEMERA**



**Olkejuado Water and Sewerage Co. Ltd**  
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**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020**

	<b>Ordinary Share capital</b>	<b>Retained Earnings</b>	<b>Reserves</b>	<b>Total Equity</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
<b>Balance as at 1st July 2018</b>	<b>40</b>	<b>(25,125,334)</b>	<b>-</b>	<b>(25,125,294)</b>
				<b>-</b>
Prior year Adjustment	-	153	-	<b>153</b>
				<b>-</b>
<b>Adjusted Balance Brought Forward</b>	<b>40</b>	<b>(25,125,181)</b>	<b>-</b>	<b>(25,125,141)</b>
Net profit (Loss) for the year	-	(5,162,776)	-	(5,162,776)
<b>Balance as at 30th June 2019</b>	<b>40</b>	<b>(30,287,956)</b>	<b>-</b>	<b>(30,287,916)</b>
				<b>-</b>
<b>Balance as at 1st July 2019</b>	<b>40</b>	<b>(30,287,956)</b>	<b>-</b>	<b>(30,287,916)</b>
				<b>-</b>
Prior year Adjustment	-	-	-	<b>-</b>
<b>Adjusted Balance Brought Forward</b>	<b>40</b>	<b>(30,287,956)</b>	<b>-</b>	<b>(30,287,916)</b>
Net profit (Loss) for the year	-	(1,729,584)	-	(1,729,584)
<b>Balance as at 30th June 2020</b>	<b>40</b>	<b>(32,017,540)</b>	<b>22,891,680</b>	<b>(9,125,821)</b>

**Olkejuado Water and Sewerage Co. Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020	2019
		Kshs	Kshs
<b>OPERATING ACTIVITIES</b>			
Cash generated from/ (used in) operations	14	(1,396,948)	(391,485)
<b>Net Cash generated from/ (used in) operating activities</b>		<b>(1,396,948)</b>	<b>(391,485)</b>
<b>INVESTING ACTIVITIES</b>			
Extra Ordinary Income(Transfer from KERRA)		22,891,680	
<b>Net Cash generated from/ (used in) Investing activities</b>		<b>22,891,680</b>	<b>-</b>
<b>FINANCING ACTIVITIES</b>			
<b>Net Cash generated from/ (used in) Financing activities</b>		<b>-</b>	<b>-</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT</b>		<b>21,494,732</b>	<b>(391,485)</b>
Prior year adjustment		-	153
<b>CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR</b>		<b>54,014</b>	<b>445,346</b>
<b>CASH AND CASH EQUIVALENT AT THE END OF THE YEAR</b>		<b>21,548,746</b>	<b>54,014</b>

**Olkejuado Water and Sewerage Co. Ltd**  
**Annual Reports and Financial Statements**  
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**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**FOR THE PERIOD ENDED 30 JUNE 2020**

	Original		Final	Actual on	Performanc
	budget	Adjustments	budget	comparable	difference
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Water sales	16,800,000	-	16,800,000	12,299,055	(4,500,945)
Miscellaneous income	4,800,000	-	4,800,000	8,257,420	3,457,420
Government grant	3,600,000	-	3,600,000	3,825,028	225,028
Drought Mitigation Program	2,000,000	2,700,000	4,700,000	2,500,000	(2,200,000)
<b>Total income</b>	<b>27,200,000</b>	<b>2,700,000</b>	<b>29,900,000</b>	<b>26,881,503</b>	<b>(3,018,497)</b>
<b>Expenses</b>					-
Administrative Costs	5,890,500	-	5,890,500	8,927,084	3,036,584
Staff costs	13,212,000	-	13,212,000	12,627,294	(584,706)
Operational Costs	10,430,000	-	10,430,000	5,692,291	(4,737,709)
Lease and Statutory Fees	1,920,000	-	1,920,000	1,364,418	(555,582)
<b>Total expenditure</b>	<b>31,452,500</b>	<b>-</b>	<b>31,452,500</b>	<b>28,611,087</b>	<b>(2,841,413)</b>
<b>Surplus for the period</b>	<b>(4,252,500)</b>	<b>2,700,000</b>	<b>(1,552,500)</b>	<b>(1,729,584)</b>	<b>(177,084)</b>
<b>Extra Ordinary Income</b>	<b>-</b>	<b>22,891,680</b>	<b>22,891,680</b>	<b>-</b>	<b>22,891,680</b>

**Budget Notes**

- i. Revenue from water sale decreased due to low production since water sources level also decreased
- ii. Revenue from miscellaneous decreased due low collection of connection fees from new customers at Kajiado town.
- iii. During the financial year 2019/2020 the company received grants from the County Government of Kajiado and Tanathi water service board as part of part of the Electricity Bills payments.
- iv. The operational cost increased due to high cost of maintenance of worn out water supply system and repairs of water tankers which broke down frequently
- v. Extra Ordinary revenue was transfers from KERRA for repair of pipeline from Isinya to Ngong

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

## **Annual Reports and Financial Statements**

### **For the year ended June 30, 2020**

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

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

Olkejuado Water & Sewerage Co. Ltd is established by and derives its authority and accountability from 2002 Act. The Company is wholly owned by the County Government of Kajiado and is domiciled in Kenya. The Owasco's principal activity is to carry on the business of water and sewerage within the towns of Ilbissil, Isinya, Konza, Kajiado, Kitengela and its environs .

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

##### **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis and liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the **Owasco's** accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Olkejuado Water and Sewerage Company and all values are rounded to the nearest thousand.

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

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

###### **i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020**

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

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

The entity did not early – adopt any new or amended standards in year 2020.

# Olkejuado Water and Sewerage Co. Ltd

## Annual Reports and Financial Statements

### For the year ended June 30, 2020

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Revenue recognition

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

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

##### b. In-kind contributions

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

##### c. Property, plant and equipment

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

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

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

Gains and losses on disposal of items of property, plant and equipment are determined by



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**Olkejuado Water and Sewerage Co. Ltd**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

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

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

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

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

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

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

**e. Trade and other receivables**

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

**f. Taxation**

**Current income tax**

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

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

# Olkejuado Water and Sewerage Co. Ltd

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### For the year ended June 30, 2020

#### Deferred tax

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

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

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of

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

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

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

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

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

# Olkejuado Water and Sewerage Co. Ltd

## Annual Reports and Financial Statements

### For the year ended June 30, 2020

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

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

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

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

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

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

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

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

The original budget for FY 2019-2020 was not approved by the Board of Directors on 30 June, 2020 since the company had not appointed the Board members.

Olkejuado Water & Sewerage Co. Ltd did not recorded additional appropriations on the 2019-2020 budgets.

The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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

##### **k. Comparative figures**

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

**Olkejuado Water and Sewerage Co. Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

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

**I. 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, 2020.

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

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

**Estimates and assumptions**

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

**Useful lives and residual values**

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

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

**Olkejuado Water and Sewerage Co. Ltd**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Provisions**

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

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

**Olkejuado Water and Sewerage Co. Ltd**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**6. REVENUE**

	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>a) Water sales</b>	12,299,055	12,386,014
	<b>12,299,055</b>	<b>12,386,014</b>

	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>b) Miscellaneous Income</b>		
Tankering	8,017,420	3,522,570
Connection/Reconnection Fees	240,000	296,601
	<b>8,257,420</b>	<b>3,819,171</b>

<b>c) Government Grant from Tanathi WSB and County</b>	<b>2020</b>	<b>2019</b>
<b>Government of Kajiado</b>	<b>Kshs</b>	<b>Kshs</b>
County Government Salary for seconded staff	818,160	818,160
Electricity paid by the County Government/Tanathi WSB	3,006,868	3,917,369
	<b>3,825,028</b>	<b>4,735,529</b>

	<b>2020</b>	<b>2019</b>
<b>d) Drought Mitigation Program Funds</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Tanathi WSB Funds</b>	<b>2,500,000</b>	-

This refers to the National Government program through

Tanathi WSB. The channeled funds is strictly utilized towards Supplying of water to the public schools, Communities and hospitals that are affected by the drought.

**Olkejuado Water and Sewerage Co. Ltd**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**(Continued)**

	<b>2020</b>	<b>2019</b>
<b>(e) Other incomes</b>	<b>Kshs</b>	<b>Kshs</b>
Transfers from KERRA	-	142,950
		<b>142,950</b>

	<b>2020</b>	<b>2019</b>
<b>(f) Extra Ordinary Income</b>	<b>Kshs</b>	<b>Kshs</b>
Transfers from KERRA	22,891,680	-
	<b>22,891,680</b>	-

Extraordinary Income refers to the Money received from KERRA for the compensation of the relocation of the pipeline from Isinya-Ngong.

**7. EXPENDITURE**

	<b>2020</b>	<b>2019</b>
<b>a) Administrative Costs</b>	<b>Kshs</b>	<b>Kshs</b>
Provision for bad debts	920,370	165,000
Travelling	1,418,100	372,734
Fuel and gases	2,015,114	1,327,500
Billing services/Billing unit	360,000	120,000
Bank charges	171,776	143,030
Telephone & Postage	20,776	-
Transport-Repair of Motor vehicles/cycle	3,464,831	1,081,010
Audit fees	174,000	174,000
Office stationery	220,998	159,205
Insurance	20,532	7,534
General office running expense	28,250	5,020
Depreciation	12,337	14,113
Advertisement	-	35,074
	<b>8,927,084</b>	<b>3,604,221</b>

**Olkejuado Water and Sewerage Co. Ltd**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	<b>2020</b>	<b>2019</b>
<b>b)(i) Staff Costs</b>	<b>Kshs</b>	<b>Kshs</b>
Salaries Permanent	7,466,960	9,503,000
Salaries Contract	1,667,500	1,741,500
Top up of CGOK employee Ag. MD	501,840	501,840
Salaries and Allowances for CGOK employee	818,160	818,160
Casual wages One year	1,232,010	825,090
Casual wages Daily	458,224	22,350
Compulsory National Social Security Scheme	57,600	52,000
Other Pension Contribution-NWC	411,000	420,000
Staff Welfare	14,000	-
	<b>12,627,294</b>	<b>13,883,940</b>

<b>b)(ii) The average number of employees at the end of the year was:</b>		
Permanent employees – Management	6	6
Permanent employees – Union sable	12	14
Temporary and contract employees	21	11
<b>Total Staff</b>	<b>39</b>	<b>31</b>

	<b>2020</b>	<b>2019</b>
<b>c) Operational Cost</b>	<b>Kshs</b>	<b>Kshs</b>
Bulk Water		14,120
Supplies for Production	290,000	2,500
Maintenance of water supply	603,404	818,580
Electricity	4,798,887	6,537,672
	<b>5,692,291</b>	<b>7,372,872</b>

	<b>2020</b>	<b>2019</b>
<b>d) Lease and other Statutory fees</b>	<b>Kshs</b>	<b>Kshs</b>
Licensee Remuneration	737,943	1,114,742
Regulatory Fees	491,962	123,860
Permit and Abstraction fees	134,513	146,805
	<b>1,364,418</b>	<b>1,385,407</b>

**Olkejuado Water and Sewerage Co. Ltd**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

<b>8. Property plant &amp; Equipment</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Cost</b>	<b>Furniture</b>	<b>Equipment</b>	<b>Computer</b>	<b>WIP</b>	<b>Total</b>
As at 01/07/2019	161,225	392,925	11,750	19,040,803	19,606,703
Addition	-	-	-	-	-
<b>As at 30/6/2020</b>	<b>161,225</b>	<b>392,925</b>	<b>11,750</b>	<b>19,040,803</b>	<b>19,606,703</b>
<b>Depreciation</b>					
As at 01/07/2019	132,810	323,676	11,104	-	467,591
Charge for the year	3,552	8,656	129	-	12,337
<b>As at 30/6/2020</b>	<b>136,362</b>	<b>332,332</b>	<b>11,233</b>	<b>-</b>	<b>479,928</b>
<b>Net book value</b>					
As at 30/6/2020	24,863	60,593	517	19,040,803	19,126,775
				-	
<b>As at 30/6/2019</b>	<b>28,415</b>	<b>69,249</b>	<b>646</b>	<b>19,040,803</b>	<b>19,139,113</b>

**Olkejuado Water and Sewerage Co. Ltd**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	<b>2020</b>	<b>2019</b>
<b>9.(a) Trade and other Receivables</b>	<b>Kshs</b>	<b>Kshs</b>
Trade receivables (9 b)	31,539,486	28,216,613
Prepaid Electricity		-
Un-surrendered Imprest	1,036,444	1,036,444
<b>Total receivables</b>	<b>32,575,930</b>	<b>29,253,057</b>

	<b>2020</b>	<b>2019</b>
<b>9.(b) Trade Receivables</b>	<b>Kshs</b>	<b>Kshs</b>
Trade receivables	38,957,266	33,795,668
Less :provision for bad debts Note 9 (c)	- 7,417,780	- 6,497,410
<b>Total receivables</b>	<b>31,539,486</b>	<b>27,298,258</b>

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

	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Less than 30 days	956,001	-
Between 30 and 60 days	1,699,035	1,501,155
Between 60 and 90 days	1,701,155	1,501,155
Between 90 and 120 days	1,942,520	1,842,520
Between 120 and 150 days	1,024,300	1,024,300
Between 150 and 180 days	1,960,685	1,160,685
Over 180 days	29,671,120	25,989,640
	<b>38,954,816</b>	<b>33,019,455</b>

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

**Olkejuado Water and Sewerage Co. Ltd**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

**10. CASH AND CAH EQUIVALENT**

<b>CO-OPERATIVE BANK</b>		<b>2020</b>	<b>2019</b>
<b>ACCOUNT NAME</b>	<b>ACCOUNT NUMBER</b>	<b>Kshs</b>	<b>Kshs</b>
OWASCO-TANKERING	01120320760900	132,837	19,624
OWASCO-REVENUE	01120320760901	0	9,400
OWASCO-EXPENDITURE	01120320760902	253,307	-
OWASCO-DEPOSITS	01120320760903	13,854	-
OWASCO-UPC	01120320760904	20,833,533	-
OWASCO-D. M PROGRAMME	01120320760905	-	-
OWASCO-WATER SALE PBILL	579272	209,215	3,990
OWASCO-TANKERING PBILL	579271	90,000	11,000
OWASCO-CONNECTION PBILL	579269	16,000	10,000
		<b>21,548,746</b>	<b>54,014</b>

		<b>2020</b>	<b>2019</b>
<b>11. BANK OVER DRAFT</b>		<b>Kshs</b>	<b>Kshs</b>
OWASCO-Expenditure	01120320760902	-	169,026
OWASCO-ISINYA UPC	01120320760902	-	1,164
		-	<b>170,190</b>

		<b>2020</b>	<b>2019</b>
<b>12. SHARE CAPITAL</b>		<b>Kshs</b>	<b>Kshs</b>
The total authorised share capital is Kshs. 100,000 and the			
par value per share is Kshs.20			
Authorised number of shares		100,000	100,000
Number of shares issued		40	40

		<b>2020</b>	<b>2019</b>
<b>13. TRADE AND OTHER PAYABLES</b>		<b>Kshs</b>	<b>Kshs</b>
Trade and other payables		82,377,272	78,563,910
		<b>82,377,272</b>	<b>78,563,910</b>

**Olkejuado Water and Sewerage Co. Ltd**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	<b>2020</b>	<b>2019</b>
<b>14. Reconciliation of cash generated from operations</b>	<b>Kshs</b>	<b>Kshs</b>
Operating Profit /loss	(1,729,584)	(4,786,776)
Add: Depreciation	12,337	14,113
<b>Operating profit/Loss before working Capital</b>	<b>(1,717,247)</b>	<b>(4,772,662)</b>
(Increase)decrease in Trade and other receivables	(3,322,873)	(1,565,030)
(Increase)decrease in Trade and other payables	3,813,362	5,776,463
(Increase)decrease in other payables(negative Bank Balance)	(170,190)	170,190
<b>Cash generated from operations</b>	<b>(1,396,948)</b>	<b>(391,485)</b>

**15. Water Sector Trust Fund Projects.**

During the year under review the company received funding from WSTF and undertook projects as follows.

- i) Mashuru Water Projects- Report 1
- ii) Nkatu Public Sanitation Facilities-Report 2
- iii) Community Led Total Sanitation-Report 3
- iv) Covid-19 Emergency Programme –Report 4

OWASCO receives kshs. 773,047 from the county Government of Kajiado health department being 13% contributions towards Nkatu public sanitation facilities and community led total facilities

# Olkejuado Water and Sewerage Co. Ltd

## Annual Reports and Financial Statements

### For the year ended June 30, 2020

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

##### 16. COUNTY CONTRIBUTION

During the year OWASCO received kshs. 773,047 from the county Government of Kajiado health department being 13% contributions towards Nkatu public sanitation facilities and community led total facilities

- I. Nkatu Public Sanitation Facilities-kshs.702, 717
- ii. Community Led Total Sanitation-kshs.70, 330

##### 17. TRANSFERS FROM KERRA

During the year OWASCO received kshs.22, 891,680 from Kenya Rural Roads Authority being compensation for relocation of pipeline from Isinya to Ngong.

##### 18. FINANCIAL RISK MANAGEMENT

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

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

##### **Credit risk Management**

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

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

**Olkejuado Water and Sewerage Co. Ltd**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>At 30 June 2020</b>				
Receivables from Billing of water	38,954,816	9,029,815	25,989,640	9,738,704
Bank balances	21,548,746	21,548,746	-	-
<b>Total</b>	<b>60,502,572</b>	<b>30,541,779</b>	<b>25,989,640</b>	<b>9,738,704</b>

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

**ii) Liquidity risk management**

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

<b>19. Liquidity Risk</b>	<b>2020</b>	<b>2019</b>
	<b>kshs</b>	<b>kshs</b>
Accounts Receivable	31,539,036	29,255,057
Cash and Cash Equivalent	21,548,746	54,014
	<b>52,287,782</b>	<b>29,307,071</b>
Trade and other payables	82,377,272	78,189,910
	<b>82,377,272</b>	<b>78,189,910</b>
	<b>(32,256,699)</b>	<b>(48,880,839)</b>

**Olkejuado Water and Sewerage Co. Ltd**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	<b>2020</b>	<b>2019</b>
	<b>kshs</b>	<b>kshs</b>
<b>20. TAX RECONCILIATION STATEMENT</b>		
Net profit before tax	(1,729,584)	(5,162,776)
Add Non Cash expense	12,337	14,113
Tax	-	-
Loss After tax	<b>(1,717,247)</b>	<b>(5,148,663)</b>

**21. RETIREMENT BENEFIT OBLIGATIONS**

Olkejuado water & Sewerage Company contributes to the National water & Pipeline Scheme (NWC Pension) for 8No full-time employees from during the financial year 2019/2020. The scheme is based on flat figure of salary of an employee as determined by the initial employer NWPC. The liability at the end of the year is as follows:

	<b>2020</b>	<b>2019</b>
	<b>kshs</b>	<b>kshs</b>
Balance at the beginning of the year	7,613,265	7,120,065
Changes during the year Employee	22,200	73,200
Changes during the year Employer	411,000	420,000
Balance at end of the year	<b>8,046,465</b>	<b>7,613,265</b>

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

<b>22. PROVISION FOR LEAVE PAY</b>	<b>2020</b>	<b>2019</b>
	<b>kshs</b>	<b>kshs</b>
Balance at beginning of the year	-	-
Additional provision at end of year	-	-
Leave paid out or utilised during the year	-	-
<b>Balance at end of the year</b>	<b>-</b>	<b>-</b>

**23. RELATED PARTY DISCLOSURES**

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

Other related parties include:

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

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

**Transactions with related parties**

**a) Grants from the Government**

	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
County Government Salary for seconded staff	818,160	818,160
Electricity paid by the County Government/Tanathi WSB	3,006,868	3,917,369
<b>Sub-Total</b>	<b>3,825,028</b>	<b>4,735,529</b>

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

	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Lease and other Statutory fees</b>		
Licensee Remuneration to Tanathi WSB	737,943	1,114,742
Regulatory Fees to WASREB	491,962	123,860
Permit and Abstraction fees to WARMA	124,513	146,805
<b>Sub-Total</b>	<b>1,354,418</b>	<b>1,385,407</b>

**c) Directors and Key management compensation**

	<b>2020</b>	<b>2019</b>
	<b>kshs</b>	<b>kshs</b>
Compensation to the Managing Director	501,840	501,840
Compensation to the Key Management staff	2,184,000	2,800,000
<b>Sub Total</b>	<b>2,685,840</b>	<b>3,301,840</b>

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

<b>24.b) DEFERRED TAX LIABILITY</b>	<b>2020</b>	<b>2019</b>
Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:		
Tax losses carried forward	( 32,017,541)	( 30,287,956)
Provisions for liabilities and charges	0.00	0.00
Net deferred tax liability	<b><u>0.00</u></b>	<b><u>0.00</u></b>

**25. INCORPORATION**

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

**26. EVENTS AFTER THE REPORTING PERIOD**

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

**27. CURRENCY**

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

