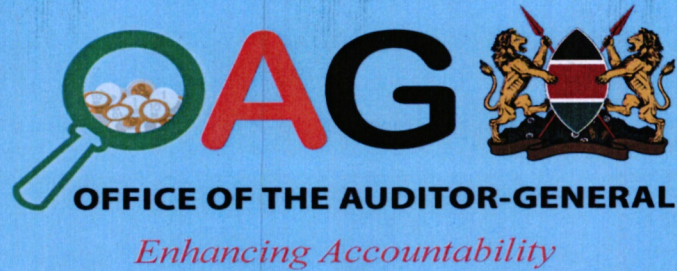


REPUBLIC OF KENYA



# REPORT

PAPERS LAID	
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COMMITTEE	—
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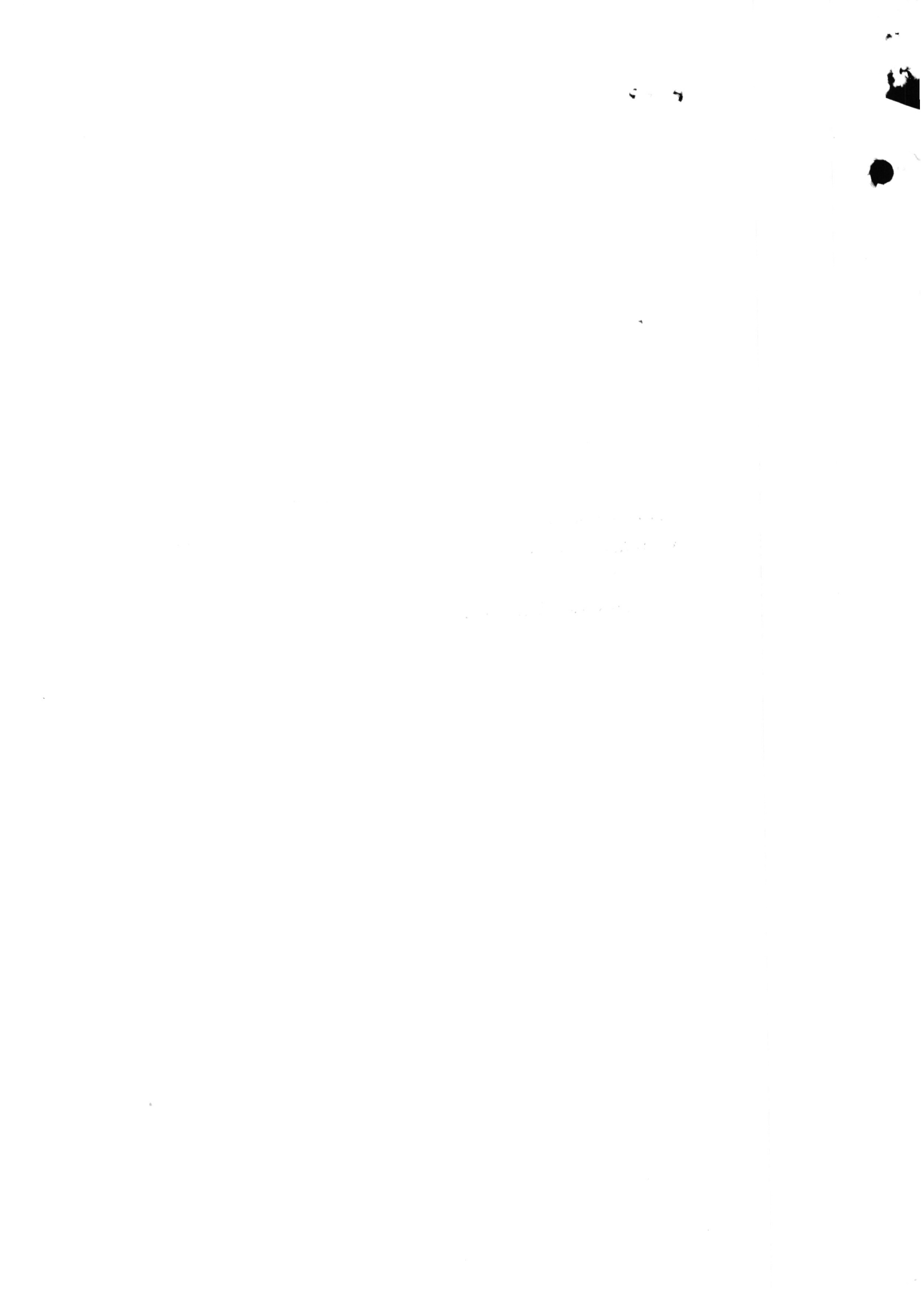
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**THE AUDITOR-GENERAL**

ON

**OL KALOU WATER AND SANITATION  
COMPANY LIMITED**

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





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**OL KALOU WATER AND SANITATION COMPANY LIMITED**

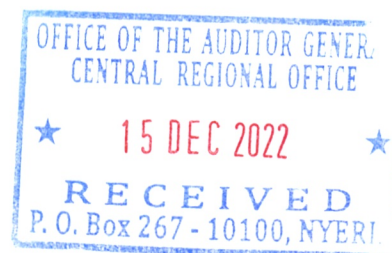
**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2022**

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



**OI Kalou Water and Sanitation Company Ltd.**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2022**

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**OI Kalou Water and Sanitation Company Ltd.**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2022**

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## **I. 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.

### **Board of 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](mailto:olwasco03@yahoo.com)

Website: [www.olkalouwater.co.ke](http://www.olkalouwater.co.ke)

**Corporate Bankers**

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

**II. The Board of Directors**

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

**III. Management Team**

 <p><b>MANAGING DIRECTOR FRANCIS M. MAINA</b></p>	<p>Academic Qualifications: B.A (Economic) U.O.N. -Diploma in Management(KIM) -Member of the Kenya Institute of Management(MKIM) -Date of Birth: 12<sup>th</sup> September, 1970. -Work experience: 26 years.</p>
 <p><b>MRS. REGINA MBURU TECHNICAL MANAGER</b></p>	<p>Academic Qualification: Higher Diploma -Professional Qualification: Higher Diploma in Water Engineering- KEWI -Date of Birth: 1963 -Work experience: 33 years</p>
 <p><b>MR. MWANGI N. JOSEPH COMMERCIAL MANAGER</b></p>	<p>Academic Qualification: Bachelor Of Purchasing &amp; Supplies Management. -Member of Kenya Institute of Supplies Management (KISM) -Date of Birth: 23<sup>rd</sup> March 1991 -Work experience: 9 years</p>

#### **IV. Chairman's Statement**

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

#### **V. 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 tremendously despite the prolonged drought. Total revenue improved from Kshs **39,726,697** to Kshs. **54,686,343**. We were also able to undertake additional expansion of water and increase our water coverage area. This increased the number of our connections from 3,400 to 3,600 during the year under review.

The company service area increased from 42km<sup>2</sup> to 44km<sup>2</sup> 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 47% at the close of last financial year to 40.8% as at 30<sup>th</sup> June 2022.

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 has requested the County Government and CRVWDA to drill additional boreholes which when complete 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 (CRVWWDA) are in the process of construction of a water treatment, water and sewerage treatment works to improve water and sanitation services. 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 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.



**Francis M. Maina**  
**Managing Director**

**OI Kalou Water & Sanitation Company Limited.**

**VI. Statement Of Performance Against Predetermined Objectives for FY 2021/2022**

The company's strategic objectives and the company's performance and activities towards achieving these objectives is as follows:

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**

<b>No.</b>	<b>Training details</b>	<b>Number of staff</b>
1	Pipe Work Skills for water supply and sewerage systems	3
2	Certification Basic Plumbing Course	5
3	National Dialogue- transforming Supply chain Management	1
4	NRW, Billing, Technical and GIS task group benchmarking	4

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 3400 to over 3600 with the water coverage increasing from 42km<sup>2</sup> to 44km<sup>2</sup>.

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 47% as at the end of last financial year to 40.8% as at 30<sup>th</sup> June 2022.

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 22m<sup>3</sup>/d to 72m<sup>3</sup>/d. The new sewerage system which is currently almost complete will have a treatment capacity of 3500m<sup>3</sup>/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 Conditional Liquidity Support Grant (CLSG) from the World Bank through the Water Sector Trust Fund (WSTF)

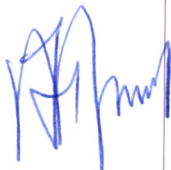
## **VII. Corporate Governance Statement**

### **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 30<sup>th</sup> June 2023. 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.



**Francis M. Maina (Mr)**  
**Managing Director**

## **VIII. 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 47% to 40.8%.
  - Increased number of connections from 3400 to over 3600
  - Put into place strict financial management control measures by continuously building capacity of staff in different levels
- a) Developed and approved 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.
- 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 Kiganjo, Kariamu Mwireri, Captain, Site, and Jerusalem.
  - iii. Procurement of cold water meters and ultra-sound meters to control NRW and increase water connectivity.

**OI Kalou Water and Sanitation Company Ltd.**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2022**

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- 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.
  - iii. Introduced measures to curb the spread the Corona Virus.

**IX. Environmental And Sustainability Reporting**

***i)* Sustainability strategy and profile -**

For Ol 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).

***ii)* Environmental performance**

To reduce environment damage caused by poor waste water disposal the Company finished the construction of a new 50m<sup>3</sup>/d Decentralized Treatment Facility (DTF) and operationalized it in 2021. 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.

***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 protective clothes and goods especially to prevent COVID-19 and other work related hazards.

*iv)* **Market place practices-**

During the year of review the Company advertised for pre-qualification of suppliers and came up with a list of registered suppliers and contract. 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 30days after delivery.

**Corporate Social Responsibility / Community Engagements**

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

**X. Report of the Management Committee**

**Principal activities**

The principal activities of the entity continue to be provision of water services to Ol Kalou town and its environs. During this year, the company started 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, 2022 are set out on page 1 below is summary of the profit or loss made during the year.

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	<b>7,411,679</b>	<b>755,613</b>

**Auditors**

The Auditor General is responsible for the statutory audit of the Ol 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



**Francis M. Maina**  
**Managing Director**

## **XI. 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 Ol 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, 2022, 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 Ol 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**

Ol Kalou Water and Sanitation Company Limited financial statements were approved by the Management Committee on 22<sup>nd</sup> September 2022 and signed on its behalf by:

**Mr. Francis M. Maina**

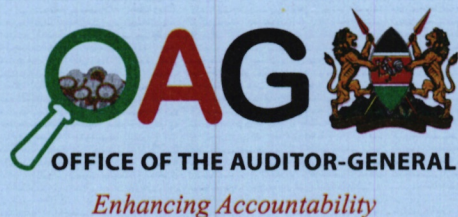
**Chairman – Management Committee**

**Mrs. Regina Mburu**

**Member- Management Committee**

# REPUBLIC OF KENYA

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



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

## REPORT OF THE AUDITOR-GENERAL ON OL KALOU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

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### PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for 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, 2022 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

### **Basis for Qualified Opinion**

#### **1. Long Outstanding Trade and Other Payables**

The statement of financial position and as disclosed in Note 26 to the financial statements reflects trade and other payables balance of Kshs.14,095,459. However, the balance includes Kshs.13,255,203 being levies payable to Central Rift Valley Water Works Development Agency (CRVWDA), which have been outstanding for more than five (5) years. There was no proper explanation for the delay in remittance of the levies.

In the circumstances, the Water Company is exposed to possible legal actions and increased costs due to interests and penalties.

#### **2. Long Outstanding Trade and Other Receivables**

Note 19 to the financial statements reflects gross trade and other receivables balance of Kshs.9,497,754 as at 30 June, 2022, out of which a balance of Kshs.3,734,497 had been outstanding for more than three (3) years. In addition, the provision for bad and doubtful debts of Kshs.949,775 made for all trade and other receivables may be inadequate to cover the potential unrecoverable amounts.

In the circumstances, the accuracy and recoverability of the trade and receivables balance of Kshs.9,497,754 as at 30 June, 2022 could not be confirmed.

#### **3. Unsupported Movement in Capital Reserves**

The statement of financial position and as disclosed in Note 23 to the financial statements reflects nil balance in respect of capital reserves as at 30 June, 2022 and comparative balance of Kshs.1,666,431 as at 30 June, 2021. As per the explanatory Note 23 to the financial statements, the capital reserves relate to debtors inherited by the Company from the Ministry of Water and Irrigation and the balance of Kshs.1,666,431 was written off during the year ended 30 June, 2022. However, the approval for the write off and evidence on what the debts related to was not provided for audit review.

In the circumstances, the accuracy and completeness of the capital reserve Nil balance as at 30 June, 2022 could not be confirmed.

#### **4. Inaccurate Property, Plant and Equipment Balance**

The statement of financial position and as disclosed in Note 16 to the financial statements reflects property, plant and equipment balance of Kshs.42,043,050. However, the balance excludes 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 accuracy and completeness of the property, plant and equipment balance of Kshs.42,043,050 as at 30 June, 2022 could not be confirmed.

#### **5. Inaccurate Statement of Cashflows**

The statement of cash flows reflects Kshs.1,297,951 in respect to customer deposits outflows for the year. However, Note 27 on customer deposits reflects a net increase of Kshs.575,460. The resulting variance between the two balances has not been explained or reconciled.

In the circumstances, the accuracy and completeness of the statement of cash flows 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.

#### **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.

#### **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 some of the issues or given satisfactory reason for delay in resolving the issues.

In the circumstances, the audit matters remained unresolved.

## **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 580,025 cubic meters (m<sup>3</sup>) of water out of which 343,106m<sup>3</sup> was billed to customers. The balance of 236,919m<sup>3</sup> or approximately 41% of the total volume produced represents Non-Revenue Water (NRW) which is 16% over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board guidelines.

In the circumstances, the significant level of Non-Revenue Water is an indication of inefficiency and ineffectiveness in the use of public and water resources, which may impact negatively on the Company's profitability and long term sustainability.

#### **2. Use of Unapproved 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. There was no evidence that the Management had sought for approval from Water Services Regulatory Board (WASREB) for tariff adjustment.

In the circumstances, the Company continues to earn lower revenues as a result of using outdated water tariffs and this may impact negatively on the Company's profitability and long term sustainability.

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. 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 165(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 have been exposed to various unmitigated risks in the management of public resources.

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

During the year under review, the Company did 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 ICT infrastructure was unprotected and may not recover in the event of disaster and other unforeseen eventualities.

In the circumstances, the reliability and safety of the Information Technology infrastructure, process, and business model during the year under review could not be confirmed.

#### **3. Lack of Board of Directors**

As reported previously, the Company did not have a Board of Directors during the year under review. This is contrary to Section 128(2) of the Companies Act, 2015, which requires a Public Company to have at least two (2) Directors.

In the circumstances, there was no oversight over the financial reporting process, compliance with laws and regulations and evaluation of the adequacy and effectiveness of the control environment.

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 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 the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

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

**Nairobi**

**03 March, 2023**

**OI Kalou Water and Sanitation Company Ltd.**  
**Annual Reports and Financial Statements**  
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**XIII. Statement of Profit or Loss & Other Comprehensive Income For The Year Ended 30 June 2022.**

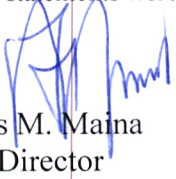
	Note	2021/2022	2020/2021
		Kshs	Kshs
<b>REVENUES</b>			
Sales/Turnover	6	37,155,380	34,012,430
In-Kind Contributions	7	2,237,220	2,670,317
Recurrent/operational grants - WSTF	8	4,642,220	-
Other Income	9	10,651,523	3,043,950
<b>TOTAL REVENUES</b>		<b>54,686,343</b>	<b>39,726,697</b>
<b>OPERATING EXPENSES</b>			
Administration Costs		-	38,674,560
Staff cost	10	20,016,215	-
General & Operation Expenses	11	13,034,272	-
Board Expenses	12	-	-
Maintenance Expenses	13	14,069,917	-
Depreciation & Amortisation	14	154,260	241,920
Finance Costs	15	-	54,604
<b>TOTAL OPERATING EXPENSES</b>		<b>47,274,664</b>	<b>38,971,084</b>
<b>OPERATING PROFIT/(LOSS)</b>	15	<b>7,411,679</b>	<b>755,613</b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	15	<b>7,411,679</b>	<b>755,613</b>
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>7,411,679</b>	<b>755,613</b>

**OI Kalou Water and Sanitation Company Ltd.**  
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**For the year ended June 30, 2022**

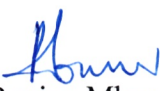
**XIV. Statement of Financial Position as at 30 June 2022**

	Note	2021/2022	2020/2021
		Kshs	
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	16	42,043,050	42,093,120
Intangible assets	17	-	-
<b>Total Non-Current Assets</b>		<b>42,043,050</b>	<b>42,093,120</b>
<b>Current Assets</b>			
Inventories	18	1,027,484	5,257,294
Net Trade Receivables	19	8,547,979	10,083,376
Deposits and prepayments	20	808,515	102,000
Bank and cash balances	21	7,197,714	1,299,273
<b>Total Current Assets</b>		<b>17,581,692</b>	<b>16,741,943</b>
<b>TOTAL ASSETS</b>		<b>59,624,742</b>	<b>58,835,063</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	22	100,000	100,000
Retained Earnings		(650,222)	(8,061,901)
Grant	16	41,416,824	41,416,824
Capital reserve	23	-	1,666,431
<b>Capital and Reserves</b>		<b>40,866,602</b>	<b>35,121,354</b>
<b>Non-Current Liabilities</b>			
Customer Deposits	27	4,662,681	4,087,221
<b>Current Liabilities</b>			
Trade and other payables	26	14,095,459	19,626,488
Retirement benefit obligations	25	-	-
<b>Total Current Liabilities</b>		<b>14,095,459</b>	<b>19,626,488</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>59,624,742</b>	<b>58,835,063</b>

The financial statements were approved by the Management committee on 22<sup>nd</sup> September 2022 and signed on its behalf by:

  
Mr. Francis M. Maina  
Managing Director  
Chairman – Management Committee

  
Mr. Mwangi Joseph  
Commercial Manager  
Member Management Committee

  
Mrs. Regina Mburu  
Technical Manager  
Member Management Committee

**XV. Statement of Changes in Equity for the Year Ended 30 June 2022**

	Ordinary share capital(Kshs.)	Capital reserve(Kshs.)	Retained earnings(Kshs.)	Grants(Kshs.)	Total(Kshs.)
<b>At June 30, 2019</b>	<b>100,000</b>	<b>1,768,431</b>	<b>(11,395,037)</b>	<b>33,538,875</b>	<b>24,012,269</b>
Total comprehensive income			<b>2,577,523</b>	<b>7,877,949</b>	<b>10,455,472</b>
<b>At June 30, 2020</b>	<b>100,000</b>	<b>1,768,431</b>	<b>(8,817,514)</b>	<b>41,416,824</b>	<b>34,467,741</b>
Total comprehensive income		<b>(102,000)</b>	<b>755,613</b>		<b>653,613</b>
<b>At June 30, 2021</b>	<b>100,000</b>	<b>1,666,431</b>	<b>(8,061,901)</b>	<b>41,416,824</b>	<b>35,121,354</b>
Total comprehensive income		<b>(1,666,431)</b>	<b>7,411,679</b>		<b>5,745,248</b>
<b>At June 30, 2022</b>	<b>100,000</b>	<b>-</b>	<b>(650,222)</b>	<b>41,416,824</b>	<b>40,866,602</b>

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**XVI. Statement of Cash Flows for the Year Ended 30 June 2022**

	Note	2021/2022	2020/2021
			Kshs
Operating profit/(loss)		7,411,679	755,613
Depreciation	16	154,260	241,920
Amortisation	17	-	-
Provision for bad debts	19(a)	170,600	54,992
<b>Operating profit/(loss) before working capital changes</b>		<b>7,736,539</b>	<b>1,052,525</b>
(Increase)/decrease in inventories	18	4,229,810	(1,070,244)
(Increase)/decrease in trade and other receivables	19	1,535,397	(494,925)
Increase/(decrease) in trade and other payables	26	(5,531,029)	(830,358)
Increase/(decrease) in retirement benefit obligations	25	-	-
customer deposits for the year		(1,297,951)	600,660
Cash generated from/(used in) operations		<b>(1,063,773)</b>	<b>(1,794,867)</b>
<b>Net cash used in operating activities</b>		<b>6,672,766</b>	<b>(742,342)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of Property & Equipment		104,190	110,000
cash and cash equivalents			
Net increase/(decrease) in cash and cash equivalent		6,672,766	(742,342)
Balance at beginning of the year		1,229,273	2,033,615
Balance at end of the year		<b><u>8,006,229</u></b>	<b><u>1,401,273</u></b>
Cash at bank	21	7,147,714	1,249,273
Cash in hand	21	50,000	50,000
Cash and cash equivalent at 30 June 2022		<b><u>7,197,714</u></b>	<b><u>1,299,273</u></b>
Deposit and prepayment	20	808,515	102,000
Balance at end of the year		<b><u>8,006,229</u></b>	<b><u>1,401,273</u></b>

**Ol Kalou Water and Sanitation Company Ltd.**  
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**XVII. Statement of Comparison of Budget & Actual Amounts for the Period Ended 30 June 2022**

	Final budget	Actual on comparable basis	Performance difference	
	2021-2022	2021-2022	2021-2022	
Revenue Item	Budget Kshs.	Actual Kshs.	Variance Kshs.	% Variance
Water Chargers	36,000,000	36,884,880	884,880	2.46%
Reconnection fee	1,000,000	842,800	(157,200)	-15.72%
Penalties	900,000	833,500	(66,500)	-7.39%
Meter Rent	1,400,000	1,332,225	(67,775)	-4.84%
Sale of Tender	30,000	-	(30,000)	-100.00%
Decentralized Treatment Facility	450,000	270,500	(179,500)	-39.89%
New Connection fee (water + sewerage)	350,000	499,000	149,000	42.57%
Mater testing	20,000	14,500	(5,500)	-27.50%
Trenching	20,000	-	(20,000)	-100.00%
Grant from WSTF	7,000,000	4,642,220	(2,357,780)	-33.68%
In-Kind Contribution	-	2,237,220	2,237,220	100.00%
Creditors written off/ reconciled	-	7,129,498	7,129,498	100.00%
<b>Total Budget</b>	<b>47,170,000</b>	<b>54,686,343</b>	<b>7,516,343</b>	<b>15.93%</b>

Expenditure Item	Budget Kshs	Actual Kshs	Variance Kshs	% Variance
Operation, Maintenance, and Staff cost	47,144,800	47,120,404	(24,396)	-0.05%
Depreciation of property	-	154,260	154,260	100%
<b>Total Expenditure</b>	<b>47,144,800</b>	<b>47,274,664</b>	<b>129,864</b>	<b>0.28%</b>

Budget notes:

- I. Ol Kalou Water and Sanitation Company had estimated its water sale on average at Kshs. 3 million per month which it surpassed with 2%.
- II. The estimated 2000 reconnections which fell short with 15.7%
- III. The company had estimated sale of 30 tenders for the donor fund project but did not materialise during the year.
- IV. The estimated number of new connection (water and initial sewerage connections) was estimated to be 350. 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 2022
- V. The Conditional Liquidity Grant Support that the company sought from WSTF and approved was Kshs. 7,000,000 but WSTF actualised Kshs 4,642,220.
- VI. 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.
- VII. Creditors written off/reconciled relates Capital reserve that includes arrears/debtors inherited by the Company from the Ministry of Water and Irrigation amounting to Kshs. 1,666,431 and Reconciled Payable Levies to Central Rift Valley Water Works Development Agency (CRVWDA) from Kshs. 18,718,270 to Kshs. 13,255,203 amounting to Kshs. 5,463,067.
- VIII. In-Kind donation of Kshs. 2,237,220 refers to the salary paid to the seconded staff by the Nyandarua County Government. This is paid directly to the staffs' personal bank accounts.

**XVIII. 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 effective in the year ended 30 June 2022***

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 2022.***

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.

**iii. *Early adoption of standards***

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

**4. Summary of Significant Accounting Policies**

The principle accounting policies adopted in the preparation of these financial statements are set out below:

**Ol Kalou Water and Sanitation Company Ltd**  
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**For the year ended June 30, 2022**

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**a) Revenue recognition**

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the *Ol Kalou Water & Sanitation 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 the *entity's* activities, and when specific criteria have been met for each of the *Ol Kalou Water & Sanitation Company's* activities as described below.

- i) **Revenue from the sale of goods and services** is recognised in the year in which the *Ol Kalou Water & Sanitation Company* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government, County Government, Central Rift Valley Water Works Development Agency and Water Sector Trust Fund (WSTF)** are recognised in the year in which the *Ol Kalou Water & Sanitation 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 reconnection fee, meter rent, meter testing, new connection fee (water and Sewerage) (all as generated from the billing software for their specific categories) sale of tender, and Creditors written off/reconciled including Capital reserve that includes arrears/debtors inherited by the Company from the Ministry of Water and Irrigation amounting to Kshs. 1,666,431 and Reconciled Payable Levies to Central Rift Valley Water Works Development Agency (CRVWDA) from Kshs. 18,718,270 to Kshs. 13,255,203 amounting to Kshs. 5,463,067.

**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.

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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 recognised in the income statement on a Reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

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) Amortisation 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 handing 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.

**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

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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 2021-2022 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, 2022.

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

**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 20 (a).

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

**6. Revenue**

	2021/2022	2020/2021
	Kshs	Kshs
Gross sales of goods	36,884,880	33,825,930
Gross sales of services	270,500.00	186,500
<b>Total</b>	<b>37,155,380</b>	<b>34,012,430</b>

*Gross sales of services is Decentralised Treatment Facility*

**7. In-Kind Donation**

	2021/2022	2020/2021
	Kshs	Kshs
Seconded personnel	2,237,220	2,670,317
<b>Total</b>	<b>2,237,220</b>	<b>2,670,317</b>

**8. Grants Income**

	2021/2022	2020/2021
	Kshs	Kshs
Recurrent/operational grants - WSTF	4,642,220	-
<b>Total</b>	<b>4,642,220</b>	<b>-</b>

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2021-2022
	KShs	KShs	KShs	KShs	KShs
Water Sector Trust Fund (WSTF)	4,642,220	-	-	4,642,220	4,642,220
<b>Total</b>	<b>4,642,220</b>	<b>-</b>	<b>-</b>	<b>4,642,220</b>	<b>4,642,220</b>

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**9. Other Income**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Fines and penalties	833,500	686,000
Tender Sale	-	4,000
Other miscellaneous receipts	2,688,525	2,353,950
Creditors written off/Reconciled	7,129,498	-
<b>Total</b>	<b>10,651,523</b>	<b>3,043,950</b>

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**10. Staff Costs**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Salaries for contract and permanent employees	10,632,833	8,541,892
Wages of temporary employees	1,929,988	996,856
Salaries - seconded	2,237,220	2,670,317
Compulsory national health insurance schemes	13,200	- 6,400
Compulsory national social security schemes-company	271,056	236,452
Gratuity	2,068,546	1,504,373
Annual staff welfare	330,000	281,265
Commission of Domestic taxes- PAYE - company	63,071	-
Overtime and standby and other allowances	1,401,200	1,703,154
Medical Cover	1,069,101	-
<b>Total</b>	<b>20,016,215</b>	<b>15,940,709</b>
<b>The average number of employees at the end of the year was:</b>		
Permanent employees – Management	3	3
Permanent employees – Unionisable	1	2
Temporary and Contract employees	30	17
<b>Total</b>	<b>34</b>	<b>22</b>

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**11. General and Operations Expenses**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Travel and subsistence	2,353,950	1,825,650
Printing & Stationeries	196,967	113,591
Advertising and publicity	-	142,680
Telephone and postage	480,810	413,015
staff training	281,100	201,090
WARMA	386,639	416,109
WASREB	1,596,671	1,454,191
Subscription to professional bodies	140,000	120,000
Upper Malewa Levy	60,000	60,000
Staff rewards	254,900	271,000
Office expenses	255,885	170,620
Office Tea and general supplies	323,337	247,655
Uniform	620,620	429,410
Electricity	3,026,978	1,300,000
Professional fees- audit fees	348,000	348,000
Insurances, Licences & Permits	54,620	38,422
Meeting expenses	407,320	420,850
Newspapers and periodicals	15,000	15,360
Contracted professionals	292,549	454,164
Motor vehicle fuel	320,801	286,987
Provision for bad debts	170,600	54,992
Corporate Social Responsibility	-	-
Bank Charges	47,648	-
Sports and Games	1,285,877	-
HIV/AIDS and alcoholism	-	174,000
Stakeholders' meeting	-	148,000
Water analysis	114,000	76,000
<b>Total General &amp; Operation Expenses</b>	<b>13,034,272</b>	<b>9,181,786</b>

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**12. Board Expenses**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Directors emoluments	-	-
<b>Total Board Expenses</b>	<b>-</b>	<b>-</b>

**13. Maintenance Expenses**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Software expenses	251,400	291,100
Repairs - computers	187,950	179,000
Repairs & maintenance (Piping extensions)	9,761,697	9,607,303
Water meter supply	2,498,000	2,401,800
Motor vehicle expenses (maintenance & Repair)	568,910	752,082
Maintenance building	749,530	289,085
Other expenses (tools, generator, & furniture repair)	52,430	31,695
<b>Total Maintenance Expenses</b>	<b>14,069,917</b>	<b>13,552,065</b>

**14. Depreciation and Amortization Expenses**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Depreciation of property, plant and equipment	154,260	241,920
Amortisation of intangible assets	-	-
<b>Total Depreciation and Amortisation</b>	<b>154,260</b>	<b>241,920</b>

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**15. Operating profit / (loss)**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Sales/Turnover	37,155,380	34,012,430
In-Kind Contributions	2,237,220	2,670,317
Other Income	10,651,523	3,043,950
Recurrent/operational grants - WSTF	4,642,220	-
<b>TOTAL REVENUES</b>	<b>54,686,343</b>	<b>39,726,697</b>
The operating profit/(loss) is arrived at after charging/(crediting):		
Total admin cost		38,674,560
Depreciation of property, plant and equipment	154,260	241,920
Amortisation of intangible assets	-	-
Other Operating Expenses- Bank Charges	-	54,604
Staff cost	20,016,215	-
Board Expenses	-	-
General & Operation Expenses	13,034,272	-
Maintenance Expenses	14,069,917	-
<b>TOTAL COST OF OPERATION</b>	<b>47,274,664</b>	<b>38,971,084</b>
<b>OPERATING PROFIT/(LOSS)</b>	<b>7,411,679</b>	<b>755,613</b>

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**16. Property, Plant and Equipment**

	WSTF PROJECT (GRANT) (Kshs.)	FURNITURES & FITTINGS (Kshs.)	OFFICE EQUIPMENTS (Kshs.)	BUILDINGS (Kshs.)	COMPUTER & ACCESSORIES (Kshs.)	
<b>COST</b>		12.50%	12.50%	2.50%	30%	
<b>As at July 1<sup>st</sup> 2020</b>	<b>41,416,824</b>	<b>302,093</b>	<b>136,590</b>	<b>66,392</b>	<b>303,141</b>	<b>42,225,040</b>
Additions					110,000	110,000
Transfers						
Disposals						
<b>As at June 2021</b>	<b>41,416,824</b>	<b>302,093</b>	<b>136,590</b>	<b>66,392</b>	<b>413,141</b>	<b>42,335,040</b>
Accumulated depreciation						
<b>As at 30<sup>th</sup> Jun 2020</b>		43,156	19,513	1,702	129,917	<b>194,288</b>
<b>As at 30<sup>th</sup> Jun 2021</b>		37,762	13,824	66,392	123,942	<b>241,920</b>
		<b>80,918</b>	<b>33,337</b>	<b>68,094</b>	<b>253,859</b>	<b>436,208</b>
<b>NET BOOK VALUE</b>						
As at 30 <sup>th</sup> Jun 2020	41,416,824	302,093	136,590	66,392	303,141	<b>42,225,040</b>
As at 30 <sup>th</sup> Jun 2021	<b>41,416,824</b>	<b>264,331</b>	<b>122,766</b>	<b>0</b>	<b>289,199</b>	<b>42,093,120</b>
<b>As at July 1<sup>st</sup> 2021</b>	<b>41,416,824</b>	<b>264,331</b>	<b>122,766</b>	<b>0</b>	<b>289,199</b>	<b>42,093,120</b>
Additions		104,190				104,190
Transfers						
Disposals						
<b>As at June 2022</b>	<b>41,416,824</b>	<b>368,521</b>	<b>122,766</b>	<b>0</b>	<b>289,199</b>	<b>42,197,310</b>
Accumulated depreciation						
<b>As at 30<sup>th</sup> Jun 2020</b>		43,156	19,513	1,702	129,917	<b>194,288</b>
<b>As at 30<sup>th</sup> Jun 2021</b>		37,762	13,824	66,392	123,942	<b>241,920</b>
<b>As at 30<sup>th</sup> Jun 2022</b>		46,065	12,096	0	96,099	<b>154,260</b>
		<b>126,983</b>	<b>45,433</b>	<b>68,094</b>	<b>349,958</b>	<b>590,468</b>
<b>NET BOOK VALUE</b>						
As at 30 <sup>th</sup> Jun 2020	41,416,824	302,093	136,590	66,392	303,141	<b>42,225,040</b>
As at 30 <sup>th</sup> Jun 2021	41,416,824	264,331	122,766	0	289,199	<b>42,093,120</b>
As at 30 <sup>th</sup> Jun 2022	<b>41,416,824</b>	<b>322,456</b>	<b>116,670</b>	<b>0</b>	<b>193,100</b>	<b>42,043,050</b>

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**16 (a) Property, Plant and Equipment at Cost**

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Furniture and fittings	644,595	322,139	322,456
Office equipment	183,450	72,780	110,670
Computers & Accessories	1,115,480	922,380	193,100
WSTF projects	41,416,824	0	41,416,824
Buildings	74,585	74,585	0
	<b>43,434,934</b>	<b>1,391,884</b>	<b>42,043,050</b>

**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.

	2021/2022	2020/2021
	Kshs	Kshs
<b>COST</b>		
At July 1 2021	0	0
Additions	0	0
Disposals	0	0
At June 30 2022	0	0
<b>AMORTISATION</b>		
At July 1 2021	0	0
Charge for the year	0	0
Disposals	0	0
Impairment loss	0	0
At June 30 2022	0	0
<b>NET BOOK VALUE</b>		
At June 30 2022	0	0

The said intangible asset in the company is the billing software

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**18. Inventories**

	2021/2022	2020/2021
	Kshs	Kshs
Engineering stores Opening Balance As at 1st July	5,161,814	4,084,350
additions	<u>11,460,290</u>	<u>10,909,425</u>
	<b>16,622,104</b>	<b>14,993,775</b>
Issues	<u>(15,664,840)</u>	<u>(9,831,961)</u>
Engineering stores Closing Balance As at 30th June	<b><u>957,264</u></b>	<b><u>5,161,814</u></b>
Stationery and general stores Opening Balance As 1st July	95,480	102,700
additions	<u>133,380</u>	<u>113,591</u>
	<b>228,860</b>	<b>216,291</b>
Issues	<u>(158,640)</u>	<u>(120,811)</u>
Stationery and general stores Closing Balance 30th June	<b><u>70,220</u></b>	<b><u>95,480</u></b>
Total Inventories closing balance as at 30th June	<b><u>1,027,484</u></b>	<b><u>5,257,294</u></b>

**19.) Trade and Other Receivables**

	2021/2022	2020/2021
	Kshs	Kshs
Gross trade receivables b/d	11,203,751	10,653,834
Total sales- billing for the Year	40,677,405	37,056,380
Total amount received for the year	<u>(42,383,402)</u>	<u>(36,506,463)</u>
<b>Gross trade receivables</b>	<b>9,497,754</b>	<b>11,203,751</b>
Other: Provision for bad and doubtful receivable	<u>(949,775)</u>	<u>(1,120,375)</u>
<b>Net trade receivables</b>	<b>8,547,979</b>	<b>10,083,376</b>
Deposits and prepayments	808,515	102,000
<b>Total trade and other receivables</b>	<b>9,356,494</b>	<b>10,185,376</b>

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**19 (a) Trade Receivables**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Gross trade receivables for the year	9,497,754	11,203,751
Gross trade receivables b/d	11,203,751	10,653,834
Change in Trade receivables	<b>1,705,997</b>	<b>549,917</b>
Provision for doubtful debts change	170,600	54,992
	<b>170,600</b>	<b>54,992</b>
	=====	=====

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

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Less than 30 days	(376,460)	234,179
Between 30 and 60 days	739,024	1,020,046
Between 61 and 90 days	406,685	644,974
Between 91 and 120 days	276,743	365,032
Over 120 days	8,451,762	8,939,520
<b>Total</b>	<b>9,497,754</b>	<b>11,203,751</b>

**20. Short Term Deposits**

	<b>2021/2022</b>	<b>2020/2021</b>
		<b>Kshs</b>
Deposits & Pre Payments		
National Oil-Fuels	80,000	80,000
KPLC	22,000	22,000
WASREB- Performance Guarantee	706,515	-
	<b>808,515</b>	<b>102,000</b>

**21. Bank and Cash Balances**

	<b>2021/2022</b>	<b>2020/2021</b>
		<b>Kshs</b>
Cash at bank	7,147,714	1,249,273
Cash in hand	50,000	50,000
	<b>7,197,714</b>	<b>1,299,273</b>
	=====	=====

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

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

		<b>2021/2022</b>	<b>2020/2021</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>a) Current account</b>			
Cooperative Bank of Kenya	1109467355000	1,595,701.58	733,599.58
Cooperative Bank of Kenya	1148467355000	889,310.26	515,673.52
Cooperative Bank of Kenya	1109467355001	4,662,681.17	-
Cooperative Bank of Kenya	1148467355003	20.51	-
<b>Sub- total</b>		<b>7,147,713.52</b>	<b>1,249,273.10</b>
Cash in hand		50,000.00	50,000.00
<b>Grand - Total</b>		<b>7,197,713.52</b>	<b>1,299,273.10</b>

**21 (c) Customer Deposit Account**

		<b>2021/2022</b>	<b>2020/2021</b>
		<b>Kshs</b>	<b>Kshs</b>
Cooperative Bank of Kenya	1109467355001	4,662,681.17	4,087,221.00

**22. Ordinary Share Capital**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Authorised:</b>		
5000 ordinary shares of Kshs. 20 par value each	100,000	100,000
<b>Issued and fully paid:</b>		
5000 ordinary shares of Kshs.20 par value each	100,000	100,000

**23. Capital Reserve**

Capital reserve includes arrears/debtors inherited by the Company from the Ministry of Water and Irrigation amounting to Kshs. 1,666,431 written off during the current year.

**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:

	<b>2021/2022</b>	<b>2020/2021</b>
		<b>Kshs</b>
Valuation at the beginning of the year	-	-
Changes in valuation during the year- addition	2,068,546	1,504,373
Changes in valuation during the year -payment	(2,068,546)	(1,504,373)
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.

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**26. Trade and Other Payables**

	<b>2021/2022</b>	<b>2020/2021</b>
<b>Trade payables</b>		<b>Kshs</b>
Office of Auditor General	696,000.00	348,000.00
CRVWWDA	13,255,203.00	18,718,270.29
WASREB	138,254.80	135,132.00
NATIONAL OIL	6,000	39,296.01
BEKIN HARDWARE & TRADERS LTD	-	385,790.00
<b>TOTAL</b>	<b>14,095,458</b>	<b>19,626,488</b>

*94% of the payables relate to the levy that the company was liable to pay to Central Rift Valley Water Works Development Agency after reconciliation was done. This payable was liable prior to the enactment of the Water Act 2016 since the Water Act 2002 required the WSPs to pay levy to the WSBs as per their SPAs.*

**27. Customer Deposits**

	<b>2021/2022</b>	<b>2020/2021</b>
Customer Deposit b/d	4,087,221	3,211,571
Add : Customer deposits for the yr	1,076,330	1,226,150
Gross Customer deposit	<b>5,163,551</b>	<b>4,437,721</b>
Less :Deposits refund and transfers	(500,870)	(350,500)
<b>TOTAL</b>	<b>4,662,681</b>	<b>4,087,221</b>

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**28. Notes to The Statement of Cash Flows**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations</b>		
Operating profit/(loss)	7,411,679	755,613
Depreciation	154,260	241,920
Amortisation	-	-
Provision for bad debts	170,600	54,992
Operating profit/(loss) before working capital changes	<b>7,736,539</b>	<b>1,052,525</b>
(Increase)/decrease in inventories	4,229,810	(1,070,244)
(Increase)/decrease in trade and other receivables	1,535,397	(494,925)
Increase/(decrease) in trade and other payables	(5,531,029)	(830,358)
Increase/(decrease) in retirement benefit obligations	-	-
customer deposits for the year	(1,297,951)	600,660
Cash generated from/(used in) operations	<b>(1,063,773)</b>	<b>(1,794,867)</b>
Net cash used in operating activities	<b>6,672,766</b>	<b>(742,342)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of Property & Equipment	104,190	110,000
cash and cash equivalents		
Net increase/(decrease) in cash and cash equivalent	6,672,766	(742,342)
Balance at beginning of the year	1,229,273	2,033,615
Balance at end of the year	<b><u>8,006,229</u></b>	<b><u>1,401,273</u></b>
<b>(b) Analysis of cash and cash equivalents</b>		
Cash at bank	7,147,714	1,249,273
Cash in hand	50,000	50,000
Cash and cash equivalent at 30 June 2022	<b>7,197,714</b>	<b>1,299,273</b>
Deposit and prepayment	808,515	102,000
Balance at end of the year	<b><u>8,006,229</u></b>	<b><u>1,401,273</u></b>

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**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**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>a) Sales to related parties</b>		
Water sales to Govt. agencies	1,634,370	2,398,660
<b>Total</b>	<b>1,634,370</b>	<b>2,398,660</b>
<b>b) Purchases from related parties</b>		
Purchases of electricity from KPLC	3,026,978	1,300,000
Laboratory services from CRVWWDA	114,000	76,000
<b>Total</b>	<b>3,140,978</b>	<b>1,376,000</b>
<b>b) Grants from the Government</b>		
Donations in kind –County Govt. of Nyandarua	2,237,220	2,670,317
Operational Grant - WSTF	4,642,220	-
<b>Total</b>	<b>6,879,440</b>	<b>2,670,317</b>
<b>c) Key management compensation</b>		
Compensation to key management	1,746,234.48	1,460,313
<b>Total</b>	<b>1,746,234.48</b>	<b>1,460,313</b>

**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.

	<b>Less than 1 month</b>	<b>Between 1-3 months</b>	<b>Over 5 months</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 30 June 2022</b>				
Trade payables	6,000	138,255	696,000	840,255
<b>Total</b>	<b>6,000</b>	<b>138,255</b>	<b>696,000</b>	<b>840,255</b>
<b>At 30 June 2021</b>				
Trade payables	39,296	135,132	733,790	908,218
<b>Total</b>	<b>39,296</b>	<b>135,132</b>	<b>733,790</b>	<b>908,218</b>

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**(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:

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Grant	41,416,824	41,416,824
Retained earnings	(650,222)	(8,061,901)
Capital reserve	0	1,768,431
<b>Total funds</b>	<b>40,766,602</b>	<b>35,123,354</b>
Total borrowings	0	0
Less: cash and bank balances	(7,197,714)	(1,299,273)
Net debt/(excess cash and cash equivalents)	<b>33,568,888</b>	<b>33,824,081</b>

**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.

**34. Currency**

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

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**XIX. Appendices**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe
1.	Unreconciled trade and other payables	The Water Act, 2016 was published in 2017 but was enacted as from July 2018, therefore, to the company's opinion it was liable of pay the CRVWDA its levy until the June 2018. The figure as per the CRVWDA relates to levy as at the publishing of the Water Act 2016. This has been reconciled	management	resolved	
3.	Material uncertainty related to Going Concern	Over the past five financial years, the company has been improving unlike previous years where it was making huge losses. This turnaround is mainly attributed to the Management effort in improving revenues at the same time putting in place cost reduction measures. The management intends to continue with this measures to increase its profits in the future. As per this report of 2021/2022 the current liabilities are at Kshs. 14,095,459 while the current assets are at Kshs. 17,581,692, hence reversing the situation.	management	resolved	
4.	Unsupported Capital reserve	Capital Reserves include arrears/debtors inherited by the Company from the Ministry of Water and Irrigation during the inception of the company.	management	resolved	
6	Accuracy of Trade and Other Receivable	The said Note begins with Gross trade receivable b/d and not Total trade and other receivables. This is added to the sales (billing) for the year then deducted from the total amount received during the period. This results to Gross trade receivable of Ksh. 11,203,751 same as that on debt aging analysis. Then, provision for bad and doubtful debt on gross trade receivable at 10% amounting to Ksh. 1,120,375 is deducted from gross trade receivable leaving Net Trade receivable of Kshs. 10,083,376 that is reflected on statement of financial position.	management	resolved	

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			2020/2021	2019/2020			
			Kshs	Kshs			
		Gross trade receivables b/d	10,653,834	7,885,432			
		Total sales- billing for the Year	37,056,380	32,114,325			
		Total amount received for the year	(36,506,463)	(29,345,923)			
		<b>Gross trade receivables</b>	<b>11,203,751</b>	<b>10,653,834</b>			
		Other: Provision for bad and doubtful receivable	(1,120,375)	(1,065,383)			
		<b>Net trade receivables</b>	<b>10,083,376</b>	<b>9,588,451</b>			
		Deposits and prepayments	102,000	102,000			
		<b>Total trade and other receivables</b>	<b>10,185,376</b>	<b>9,690,451</b>			
		<p>According to the Company's Credit Policy /Debt Management Policy that is in place, Clients are required to pay their water bills within fourteen (14) days from the bill processing date which is normally the last day of the month. After elapse of this period, those that are yet to clear their accounts are disconnected from the water system and therefore do not continue to enjoy the services.</p>					
7.	Presentation and disclosure in the financial statements	This replacements arise as a result of lack of Board of Directors yet service provision to the public has to continue.			Board of Directors	Not resolved	As soon as a new Board is appointed
1.0	Updated Asset Register	<p>The company's Fixed Asset register contains those assets that it has developed through grants from the Water Sector Trust Fund in addition to the office equipment.</p> <p>The said register shows original cost, year of acquisition, additions, disposals, charge for the year, and the Net book values</p>			management	resolved	
2.0	Non-Revenue Water (NRW)	<p>As per the audited report for FY 2015-2016, the non-revenue water level stood at 58%. During the financial year (2021/2022), the company have been working to reduce the NRW by mainly focusing on rehabilitating the depilated water pipelines, replacing faulty customer water meters, intensifying line patrol, and crackdown on illegal connections. The company intends to continue</p>			Board of Directors & Management	Not resolved	Continuous

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		with the above measures to ensure that by the end of the current financial year our non-revenue water level is below the allowable 25% set by WASREB.			
Basis 3	Lack of Board of Directors	In accordance with the Water Act 2016, the County Government being the Sole shareholder of the company is responsible for the appointment of the Board of Directors. This is to be done in accordance with the WASREB's Corporate Governance Guidelines (2018). Three months before the term of the Board expired, the company informed the County Government of the pending expiry date but no action has been taken to date. The company have continued to send reminder letters.	County Government	Not resolved	

**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: Disaster Expenditure Reporting Template**

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

Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Water Sector Trust Fund (WSTF)	28/07/2021	Variable Grant	2,301,081	2,301,081	0	0	0	0	2,301,081
Water Sector Trust Fund (WSTF)	09/12/2021	Variable Grant	2,341,139	2,341,139	0	0	0	0	2,341,139
<b>Total</b>			4,642,220	4,642,220	0	0	0	0	4,642,220

