

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

THE NATIONAL ASSEMBLY

DATE: 23 FEB 2022

DAY:

WED

TABLED

BY:
REPORT

THE-TABLE:

HON. JIMMY ANGWENTI, MP

Perpetual Karanu

OF

THE AUDITOR-GENERAL

ON

OLOOLAI SER WATER AND SEWERAGE
COMPANY LIMITED

FOR THE YEAR ENDED
30 JUNE, 2019





Oloolaiser Water

OLOOLAISER WATER AND SEWERAGE COMPANY

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30th June, 2019**

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

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

24 JAN 2020

RECEIVED

Oloolaiser Water and Sewerage Company Limited

Reports and Financial Statements

For the year ended 30th June, 2019

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Oloolaiser Water and Sewerage Company Limited

Reports and Financial Statements For the year ended 30th June, 2019

KEY ENTITY INFORMATION

Background information

Oloolaiser Water and Sewerage Company was established under the Company's Act (CAP.486) on the Thirtieth day of June Two Thousand and Six.

Principal Activities

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

Directors

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

Samson Kereya	Chairman
Lt. Col. (Rtd) Dominic Mukundi	Member (Borehole owners Representative)
Francis Mwaura	Member (Professionals Representative)
Isaac Leboi	Member (Consumer representative)
Abraham Mapena	County (Government Representative) up to October 2017
Jeremiah Mepukori	County (Government Representative) up to October 2017
AnnisNaserian	Member (Youth Representative) From November 2017
Christine Mopel	Member (Representing Pastoralists) From November 2017
Joan Metian	Member (Representing NGO'S and institutions) From November 2017

Corporate Secretary

Wanjau and Wanjau Advocates
P.O. Box 15382-00100
Nairobi

Corporate Headquarters

P.O. BOX.333-00206
Isalu Centre Ground Floor
Magadi Road
Rongai.

Corporate Contacts

Telephone: (+254)724310714
(+254)202012075
E-mail: info@oloolaiserwatercompany.co.ke



Oloolaiser Water and Sewerage Company Limited

**Reports and Financial Statements
For the year ended 30th June, 2019**

INCOMING BOARD MEMBERS (CARETAKER BOARD-EFFECTIVE FROM 9TH MAY 2019)

NAME	REPRESENTATION
1. Patrick Mugo	Ngong Municipality -Board Chairman
2. Elizabeth sopiato	Ngong Municipality- Board vice chairperson.
3. Douglas Konana	Chief Officer Water & Irrigation
4. Kakai Nakitare	County Water Director Kajiado North
5. Eunice Kamweru	County Water Director Kajiado West
6. Solomon Kereku	Sub –County administrator Kajiado North
7. Moses Ngusa	Sub –County administrator Kajiado West
8. David Kobaai	Ngong Municipality Director
9. Michael Semera	CECM Water & Irrigation Kajiado County Gvt

Corporate Bankers

Kenya Commercial Bank
Ongata Rongai
Private Bag
Ongata Rongai

Independent Auditors

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

Oloolaiser Water and Sewerage Company Limited

Reports and Financial Statements For the year ended 30th June, 2019

BOARD OF DIRECTORS



Chairman
Mr. Samson Kereya
Date of Birth: 03.06.1974

He has a Diploma in Purchasing and Supplies Management with diverse experience in the public sector. He has also served as a presiding officer with the Electoral Commission of Kenya. Currently pursuing a Bachelor of Science degree in Purchasing and Supplies Management.



Director
Mr. Francis Mwaura Mwangi
Date of Birth: 05.11.1950

He has a Master's of Science degree and has over Twenty years of experience in public sector. He also has a Bachelor's of Education degree and a Certificate in Bank Supervision.



Director
Lt. Col. (Rtd) Dominic Mukundi
Date of Birth: 1950

He has an Advanced Certificate of Education and further training in Logistics and Security matters. He also have vast experience in the public sector after serving for Twenty Three years in the Kenyan Defence Force.



Director
Mr. Abraham Mapena
CECM – Finance and Economic Planning, County Government of Kajiado.

He has a Masters Degree in Business Administration with vast experience in the Public Sector. Currently he is serving in the above position under the County Government of Kajiado



Oloolaiser Water and Sewerage Company Limited

Reports and Financial Statements For the year ended 30th June, 2019



Director
Mr. Isaac Leboi
Date of Birth: 1972

He has a Certificate in animal health added with an added certificate in performance competence. He has vast experience having worked in both private and public sector organizations.



Director Annis Naserian
She has a degree of Bachelor of Science in Biochemistry and Molecular biology. She has a vast experience having worked in livestock and plants research institutes and other organisations.



Director Christine Serea Mopel
Date of Birth 1990:
She is an MBA Degree in strategic Management holder and also possess another degree of Bachelor of Commerce. She has a vast experience in the finance sector having worked for private and in the public sector.



Director Joan Metian Pertet Waiganjo
She is an MBA degree in Business administration holder and also has Bachelor of Commerce degree. She has vast experience in finance sector having worked for the private sector.

Oloolaiser Water and Sewerage Company Limited

Reports and Financial Statements For the year ended 30th June, 2019

MANAGEMENT TEAM



Anne Mwangi
Managing Director
Date of Birth: 01.09.1960

She has a Master's of Science Degree in Water Engineering and a Bachelor's of Science Degree in Civil Engineering. She has vast experience in the public sector especially in the water sector.



Alpha Mosomi
Commercial Manager
Date of Birth: 15.07.1981

He has a Diploma in Water Engineering. He has experience in the water sector as he has served in different capacities different water companies.



Wilson Munguti
Technical Manager
Date of Birth: 09.04.1969

He holds a Diploma in Water Engineering with a related Certificate in Plumbing and Water Supply. He has vast experience in the water sector as he has worked with different corporate institutions in the water industry.



Elena Wamutitu
Financial and Administration Manager
Date of Birth: 23.01.1982

She holds a Masters Degree in Business Administration and a Bachelors Degree in Economics. She has worked in different organizations under the Finance Department hence she has requisite experience under the docket.

Oloolaiser Water and Sewerage Company Limited

Reports and Financial Statements For the year ended 30th June, 2019



Faith Lekato
Human Resource Officer
Date of Birth: 05.03.1986

She holds a Diploma in Personnel Management and currently pursuing her undergraduate degree in Human Resource Management. She has worked as a personnel Assistant in Magadi Soda Company and vast experience in human resource management skills.



Procurement Officer
Geoffrey Shisanya
Date of Birth: 10.10.1982

He holds a Diploma in Purchasing and Supplies and is currently undertaking and degree in Business Management- Purchasing and Supplies Option.



John Wekesa
Internal Auditor
Date of Birth: 29.10.1985

He holds KATC and CPA final certificates and has a degree of Bachelor of Commerce. He has also served in different public institutions hence has vast experience in the public sector.

MEMBERS OF MANAGEMENT WHO WERE IN ACTING CAPACITY

NAME	POSITION	PERIOD
1. Alpha Mosomi	Ag. Managing Director	August, 2018-February, 2019
2. Regina Mutunga	Ag. Finance Manager	August, 2018-June, 2019
3. Florence Oruma	Ag. Human resource Officer	August, 2018-February, 2019
4. Nicholas Kuntai	Ag. Commercial Manager	August, 2018-February, 2019
5. Jeniffer Naisiano	Ag. Procurement Officer	August, 2018-June, 2019.

Oloolaiser Water and Sewerage Company Limited

Reports and Financial Statements For the year ended 30th June, 2019

CHAIRMAN'S STATEMENT

On behalf of the Board, 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 30th June 2019.

The Company's mission is to provide water and waste water services that are economically viable, environmentally friendly, socially responsible and responsive to customers' 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 scope water losses and increased operating costs which outstretch the available revenues. Some of these challenges have been addressed through internally generated resources and the National Government of Kenya through the Ministry of Water and Irrigation, and its agencies, such as the Water Services Trust Fund.

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

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

Finally, I am humbled and to sincerely express my gratitude and appreciation to all stake holders who include: The 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



Patrick Mugo.
Chairman



Oloolaiser Water and Sewerage Company Limited

Reports and Financial Statements

For the year ended 30th June, 2019

REPORT OF THE MANAGING DIRECTOR

The water company, under certificate of operation by Water Services Regulatory Board and through a Service Provision Agreement with Tanathi Water Services Board (a state Corporation) provides water and waste water services within Kajiado North and Kajiado West Sub Counties of Kajiado County and has a coverage area of approximately 716km² targeting an estimated population of 307,455 persons.

The Company has achieved a service coverage of 89km² and 172,175 persons being an achievement of 12.4% and 56% respectively, the low coverage is attributed to a limited reticulation networks which is majorly present within the urban areas of Ongata Rongai, Kiserian, Ngong and Matasia and their immediate environs, for instance Olkeri and Bulbul areas. Water is a key driver of social-economic development, during the year under review, the Company centered on demand focused distribution of water, albeit inadequate, while still ensuring accessibility to all, this enhanced reliability of the service coupled with improved customer service.

The financial year 2018-2019 has been particularly difficult due to a period of drought, high costs especially on some operational costs and the challenge of high Non-Revenue Water Levels. Challenges of an old dilapidated reticulation networks, poor designs coupled with wrong sizing of pipes and poor class of materials has contributed to physical water losses. Other contributions of water loss has been through poor meter installation techniques, aged consumer meters, wrong meter positioning, meter inefficiencies, incidences of illegal reconnections, meter by passes and water theft making contribution to commercial losses.

As the utility charged with the responsibility of providing water and sewerage services within Kajiado North and Kajiado West Sub Counties, the people of this sub counties look upon us to deliver, I am pleased to state that through the years, we have set ourselves ambitious performance goals and have consistently delivered against them. Though the years have been exceptionally challenging, we have substantially increased our customer base through investments in the expansion of our infrastructure and improvements in the quality of service to our customers

Ladies and Gentlemen, The Company has intensified exploration, planning, designing and implementation of system expansion targeted at improving the quality and reliability of the service by construction of pipeline extension of various diameters and additional storage tanks.

Thank you



Dickson Ntikoisa
Managing Director

Oloolaiser Water and Sewerage Company Limited

Reports and Financial Statements

For the year ended 30th June, 2019

CORPORATE GOVERNANCE STATEMENT

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

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Oloolaiser 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 participate and contribute to a cleaner environment and hence involved in community exercises which include clean up exercises especially in towns within its areas of jurisdiction and by so doing reduces impact on 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 liaise with staff regarding policies and practices so that it can continue to maintain a healthy, safe and enjoyable work environment.



Oloolaiser Water and Sewerage Company Limited

Reports and Financial Statements

For the year ended 30th June, 2019

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30th June, 2019 which show the state of *Oloolaiser Water and Sewerage Company limited* affairs.

Principal activities

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

Results

The results of *Oloolaiser Water and Sewerage Company limited* entity for the year ended 30th June 2019 are set out on page 14-18.

Directors


The members of the Board of Directors who served during the year are shown on page 4-5 in accordance with Regulation 58 of *Oloolaiser Water and Sewerage Company limited* Articles of Association. The indicated board served between 1st July, 2018 and 9th May, 2019.

There has been a transition period within the year and therefore the list of the incoming board is also provided immediately after the outgoing Board members. These are the members of the appointed caretaker board starting from 1st June, 2019

Auditors

The Auditor General is responsible for the statutory audit of *Oloolaiser Water and Sewerage Co. Ltd* in accordance with the provision of article 229 of the constitution of Kenya and Section 35 of the Public Audit Act 2015.

By Order of the Board


Chairman

22nd January 2020
Date

Oloolaiser Water and Sewerage Company Limited

Reports and Financial Statements

For the year ended 30th June, 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

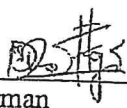
Section 164 of the Public Finance Management Act, 2012 and section 208 of the PFM-County Regulations Act, require the Directors to ensure that Oloolaiser Water and Sewerage Company Limited keeps proper accounting records which disclose with reasonable accuracy the financial position of Oloolaiser Water and Sewerage Company Limited. The Directors are also responsible for safeguarding the assets of the company from any material misappropriation.

The Directors accept responsibility for preparation and presentation of 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. The Directors are of the opinion that Oloolaiser Water and Sewerage Company Limited financial statements give a true and fair view of the state of affairs and all material transactions carried out during the financial year ended June 30th, 2019, this financial statements also provide the true financial position of our organization as at the above stated date. The Directors further confirm the completeness of the accounting records maintained, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the *Oloolaiser Water and Sewerage 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

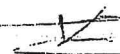
Oloolaiser Water and Sewerage Company Limited financial statements were approved by the Board of Directors on 22nd JANUARY 2020.....And signed on its behalf by:


Chairman

22nd JANUARY 2020
Date


Managing Director

30/01/2020
Date


Director

22/01/2020
Date



Oloolaiser Water and Sewerage Company Limited

Reports and Financial Statements

For the year ended 30th June, 2019

**REPORT OF THE INDEPENDENT AUDITORS
ON THE OLOOLAISER WATER AND SEWERAGE COMPANY LIMITED**

We have audited the financial Statements of *Oloolaiser Water and Sewerage Company Limited* for the year ended 30th June, 2019, which comprise: (i) a statement of comprehensive income; (ii) a statement of financial position as at 30 June, 2019; (iii) a statement of cash flows; (iv) a summary of significant accounting policies; and (v) other explanatory notes.

Management's responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements which give a true and fair view of the entity's state of affairs and its operating results in accordance with International Financial Reporting Standards, and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit in accordance with the International Standards on Auditing which require that the auditor comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Oloolaiser Water and sewerage company preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Opinion

REPUBLIC OF KENYA

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



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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Oololaiser Water and Sewerage Company Limited set out on pages 14 to 27, which comprise of the statement of financial position as at 30 June, 2019, statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and the 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 effects of the matter 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 Oololaiser Water and Sewerage Company Limited as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2016 and the Companies Act, 2015.

Basis for Qualified Opinion

1. Undisclosed Material Threat to Going Concern

The statement of financial position reflects current liabilities of Kshs.160,990,067 against the current assets of Kshs.56,262,137 resulting to a negative working capital of Kshs.104,727,930, an indication that the Company is experiencing financial difficulties that has impacted on its sustainability and edging towards bankruptcy. Further, the statement of comprehensive income reflects a loss of Kshs.25,635,491 which increased by Kshs.10,626,136 from Kshs.15,009,355 as at 1 July, 2018 resulting to an increased loss of 71%. Management has not disclosed this fact in the explanatory notes to the financial statements.

In the circumstances, the continued existence of the Company is dependent on the support of donors and creditors.

2. Inaccuracy in Cash and Cash Equivalents

As disclosed in Note 10 to the financial statements, the statement of financial reflects a balance of Kshs.3,864,492 as cash and cash equivalents as at 30 June, 2019. However, review of bank certificate balances revealed that a donor account held at Kenya Commercial Bank Account with a balance of Kshs.411,899 was not disclosed in the financial statements while supporting bank certificate for a deposit account held at the same bank reflects a balance of Kshs.964,218 against financial statements balance of Kshs.978,718 resulting to unreconciled balances of Kshs.14,500.

Further, review of records revealed that Management made a cash withdrawal of Kshs.1,890,000 for repair and relocation of various pipelines which was above the set ceiling of Kshs.150,000 contrary to a resolution of Risk and Audit Committee. A physical verification carried out on 27 November, 2019 did not find any evidence of relocation of water pipelines.

In view of the above, the accuracy, completeness and validity of cash and cash equivalent balance of Kshs.3,864,492 as at 30 June, 2019 could not be confirmed.

3. Unsupported Expenditure

Examination of payment vouchers and cash book postings revealed missing payment vouchers amounting to Kshs.19,815,516 and unsupported petty cash withdrawals payment vouchers amounting to Kshs.2,942,262 that were not adequately supported and approved all totalling to Kshs.22,757,778.

Consequently, the accuracy, completeness and validity of expenditure totalling to Kshs. 22,757,778 for the year ended 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Oololaiser 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 Board of Directors is responsible for the other information. The other information comprises the report of Board of Directors as required by the Companies Act, 2015, and the statement of the Board of 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. The other information does not include the financial statements and the auditor's report thereon.

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. If based on the work I have performed,, 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.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final income budget and actual on comparable basis of Kshs.197,496,493 and Kshs.156,206,456 respectively resulting to an under collection of Kshs.41,290,037 or 21% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.197,471,589 and Kshs.181,841,987 respectively resulting to an under expenditure of Kshs.15,629,642 or 8% of the budget.

Based on the approved estimates, under funding affected the planned activities and may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: PSASB/1/12 Vol.1(44) of 25 June, 2019.

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,

Report of the Auditor-General on Oololaiser Water and Sewerage Company Limited for the year ended 30 June, 2019

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. Irregular Award of Tenders

Review of procurement records for suppliers, contractors and consultants including payment details revealed that a number of suppliers were awarded contracts to supply various goods and services amounting to Kshs.2,304,141. However, the suppliers were not included in the prequalified list of suppliers of the Company. This is contrary to Section 57(1), 93(1) and 95(3) of the Public Procurement and Asset Disposal Act, 2015.

Consequently, the Management is in breach of the law.

2. Non-Compliance with Non-Revenue Water Guidelines

During the year under review, the Company produced 2,512,660 m³ of water. Out of this, 1,674,834 m³ was billed to customers resulting to a balance of 837,817 m³ or 33.34% un-accounted for water which is 8.34% above industry ceiling of 25% loss. This is contrary to WASREB Regulatory Guidelines. The recommended average rate is Kshs.83.00 per m³ of water. This means the Company may have incurred a loss of 837,817 m³ equivalent to Kshs.69,538,811.

Consequently, the Management is in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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 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 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 are in agreement with the accounting records and returns.

Responsibilities of Management and Board of Directors

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

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of 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, the 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 financial reporting process, reviewing the effectiveness of how the Company 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 overall 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 overall 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 the Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 December, 2021

Report of the Auditor-General on Oloolaiser Water and Sewerage Company Limited for the year ended 30 June, 2019

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

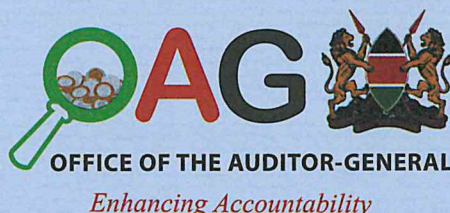
ON

**OLOOLAI SER WATER AND SEWERAGE
COMPANY LIMITED**

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

REPUBLIC OF KENYA

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



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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Oloolaiser Water and Sewerage Company Limited set out on pages 14 to 27, which comprise of the statement of financial position as at 30 June, 2019, statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and the 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 effects of the matter 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 Oloolaiser Water and Sewerage Company Limited as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2016 and the Companies Act, 2015.

Basis for Qualified Opinion

1. Undisclosed Material Threat to Going Concern

The statement of financial position reflects current liabilities of Kshs.160,990,067 against the current assets of Kshs.56,262,137 resulting to a negative working capital of Kshs.104,727,930, an indication that the Company is experiencing financial difficulties that has impacted on its sustainability and edging towards bankruptcy. Further, the statement of comprehensive income reflects a loss of Kshs.25,635,491 which increased by Kshs.10,626,136 from Kshs.15,009,355 as at 1 July, 2018 resulting to an increased loss of 71%. Management has not disclosed this fact in the explanatory notes to the financial statements.

In the circumstances, the continued existence of the Company is dependent on the support of donors and creditors.

2. Inaccuracy in Cash and Cash Equivalents

As disclosed in Note 10 to the financial statements, the statement of financial reflects a balance of Kshs.3,864,492 as cash and cash equivalents as at 30 June, 2019. However, review of bank certificate balances revealed that a donor account held at Kenya Commercial Bank Account with a balance of Kshs.411,899 was not disclosed in the financial statements while supporting bank certificate for a deposit account held at the same bank reflects a balance of Kshs.964,218 against financial statements balance of Kshs.978,718 resulting to unreconciled balances of Kshs.14,500.

Further, review of records revealed that Management made a cash withdrawal of Kshs.1,890,000 for repair and relocation of various pipelines which was above the set ceiling of Kshs.150,000 contrary to a resolution of Risk and Audit Committee. A physical verification carried out on 27 November, 2019 did not find any evidence of relocation of water pipelines.

In view of the above, the accuracy, completeness and validity of cash and cash equivalent balance of Kshs.3,864,492 as at 30 June, 2019 could not be confirmed.

3. Unsupported Expenditure

Examination of payment vouchers and cash book postings revealed missing payment vouchers amounting to Kshs.19,815,516 and unsupported petty cash withdrawals payment vouchers amounting to Kshs.2,942,262 that were not adequately supported and approved all totalling to Kshs.22,757,778.

Consequently, the accuracy, completeness and validity of expenditure totalling to Kshs. 22,757,778 for the year ended 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Oololaiser 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 Board of Directors is responsible for the other information. The other information comprises the report of Board of Directors as required by the Companies Act, 2015, and the statement of the Board of 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. The other information does not include the financial statements and the auditor's report thereon.

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. If based on the work I have performed,, 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.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final income budget and actual on comparable basis of Kshs.197,496,493 and Kshs.156,206,456 respectively resulting to an under collection of Kshs.41,290,037 or 21% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.197,471,589 and Kshs.181,841,987 respectively resulting to an under expenditure of Kshs.15,629,642 or 8% of the budget.

Based on the approved estimates, under funding affected the planned activities and may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: PSASB/1/12 Vol.1(44) of 25 June, 2019.

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,

Report of the Auditor-General on Oloolaiser Water and Sewerage Company Limited for the year ended 30 June, 2019

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. Irregular Award of Tenders

Review of procurement records for suppliers, contractors and consultants including payment details revealed that a number of suppliers were awarded contracts to supply various goods and services amounting to Kshs.2,304,141. However, the suppliers were not included in the prequalified list of suppliers of the Company. This is contrary to Section 57(1), 93(1) and 95(3) of the Public Procurement and Asset Disposal Act, 2015.

Consequently, the Management is in breach of the law.

2. Non-Compliance with Non-Revenue Water Guidelines

During the year under review, the Company produced 2,512,660 m³ of water. Out of this, 1,674,834 m³ was billed to customers resulting to a balance of 837,817 m³ or 33.34% un-accounted for water which is 8.34% above industry ceiling of 25% loss. This is contrary to WASREB Regulatory Guidelines. The recommended average rate is Kshs.83.00 per m³ of water. This means the Company may have incurred a loss of 837,817 m³ equivalent to Kshs.69,538,811.

Consequently, the Management is in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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 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 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 are in agreement with the accounting records and returns.

Responsibilities of Management and Board of Directors

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

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of 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, the 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 financial reporting process, reviewing the effectiveness of how the Company 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 overall 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 overall 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 the Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 December, 2021

Oloolaiser Water and Sewerage Company Limited

Reports and Financial Statements

For the year ended 30th June, 2019

OLOLOLAISER WATER AND SEWERAGE COMPANY LTD			
REPORTS AND FINANCIAL STATEMENTS			
FOR THE YEAR ENDED 30TH JUNE 2019			
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2019			
	NOTES	2018/2019	2017/2018
		Kshs	Kshs
OPERATING INCOME	1	156,206,456	151,283,335
EXPENSES			
Administration	4	28,478,114	25,751,155
Staff Expenses	2	73,240,102.65	68,520,589
Directors Expenses	3	7,361,834	6,164,270
Operational Expenses	5	72,761,896	65,856,676
TOTAL EXPENDITURE		181,841,947	166,292,690
Profit/(Loss) before tax		(25,635,491)	(15,009,355)
Finance Costs		0	0
Tax		0	0
Profit/(Loss) for the year		(25,635,491)	(15,009,355)



Oloolaiser Water and Sewerage Company Limited

**Reports and Financial Statements
For the year ended 30th June, 2019**

OLOLOLAISER WATER AND SEWERAGE COMPANY LTD			
REPORTS AND FINANCIAL STATEMENTS			
FOR THE YEAR ENDED 30TH JUNE 2019			
Statement of Financial Position			
As At 30th June 2019		2018/2019	2017/2018
	Note		
		Kshs	Kshs
ASSETS	9		
Non-current assets			
Property Plant & Equipment		7,011,342	7,048,661
Intangible Assets		0	0
		7,011,342	7,048,661
Current assets			
Trade & Other Debtors	7	52,410,645	35,361,400
Cash & Cash Equivalent	10	3,864,492	1,577,665
		56,262,137	36,939,065
Total assets		63,286,480	43,987,726
EQUITY AND LIABILITIES			
Share Capital	6		
	(a)	100,000	100,000
Capital Reserve	6.(b)	3,817,836	3,817,836
General Reserve		(101,634,423)	(75,998,932)
Total Equity		(97,716,587)	(72,081,096)
Liabilities	8		
Trade and Other Payables		109,055,069	64,928,559
Customer Deposits		977,218	169,483
Amount Due to Related Parties		50,970,780	50,970,780
Total Equity and Liabilities		160,990,067	116,068,822
Total Liabilities		63,286,480	43,987,726

The notes on pages 23-27 form part of these financial statements.

The financial statements were approved for issue by the board on
22nd JANUARY 2020 and signed on their behalf by:

Chairman.....

Managing Director.....

Finance Manager..... ICPAK number..... 24229

Oloolaiser Water and Sewerage Company Limited

Reports and Financial Statements

For the year ended 30th June, 2019

STATEMENT OF CHANGES IN EQUITY				
FOR THE YEAR ENDED 30TH JUNE 2019				
	Share	General	Capital	
	Capital	Reserve	Reserve	Total
	Kshs.	Kshs.	Kshs.	Kshs.
Balance as at 1st July 2015	100,000	(39,216,432)	3,817,836	(35,298,596)
Loss/profit for the year		(10,956,187)		(10,956,187)
Balance as at 30 June 2016	100,000	(50,172,619)	3,817,836	(46,254,783)
Balance as at July 2016				
Loss/profit for the year	100,000	(50,172,619)	3,817,836	(46,254,783)
Balance as at June 2017		(6,481,719)		(6,481,719)
Balance as at June 2017	100,000	(56,654,338)	3,817,836	(52,736,502)
Balance as at 1st July 2017	100,000	(56,654,338)	3,817,836	(52,736,502)
Loss/profit for the year		(15,009,352)		(15,009,352)
Prior year Adjustment		(4,335,241)		(4,335,241)
Balance as at 30 June 2018	100,000	(75,998,932)	3,817,836	(72,081,096)
Balance as at 1st July 2018	100,000	(75,998,932)	3,817,836	(72,081,096)
Loss/profit for the year		(25,635,491)		(25,635,491)
Balance as at 30th June 2019	100,000	(101,634,422)	3,817,836	(97,716,586)



Oloolaiser Water and Sewerage Company Limited

Reports and Financial Statements

For the year ended 30th June, 2019

CASHFLOW STATEMENT AS AT 30TH JUNE 2019	2018/2019	2017/2018
	Kshs.	Kshs.
OPERATING ACTIVITIES		
Operating (Deficit)/surplus for the year	(25,635,491)	(15,009,352)
Prior year adjustments		(4,335,243)
Prior year adjustments	-	
Add :		
Depreciation	3,160,519	3,176,079
Operating surplus before working capital changes	(22,474,972)	(16,168,516)
Change in receivables	(17,049,245)	(4,011,905)
Change in staff debtors		(18,585)
Change in payables	44,934,245	17,042,438
NET CHANGE IN WORKING CAPITAL	27,885,000	13,011,948
NET CASH FROM OPERATIONS	5,410,028	(3,156,568)
INVESTING ACTIVITIES		
Purchase of Fixed Asset	(3,123,200)	(2,926,620)
NET CASH USED IN INVESTING ACTIVITIES	(3,123,200)	(2,926,620)
FINANCING ACTIVITIES		
NET CASH FROM FINANCING ACTIVITIES		
ADJUSTMENTS IN THE DEPRECIATION		
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,273,828	(6,083,188)
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	1,577,665	7,660,057
CASH AND CASH EQUIVALENTS AT END OF YEAR	3,864,492	1,577,665
ANALYSIS OF CASH AND CASH EQUIVALENTS :		
Bank and Cash Balance	3,864,492	1,577,665

Oloolaiser Water and Sewerage Company Limited

Reports and Financial Statements

For the year ended 30th June, 2019

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF BUDGET AND ACTUAL COMPARISON						
	ITEM	APPROVED BUDGET 2018/2019	ANNUAL INCOME AND EXPENDITURE TOTALS	ANNUAL INCOME AND EXPENDITURE VARIANCE	ANNUAL PERFORMANCE RATING	REMARKS
	INCOME					
1	Total Billing	193,310,485.20	147,712,302.42	(45,598,182.78)	76%	Decline in billing was caused by frequent power disconnection within the financial year and drought that led to water rationing hence low billing.
2	Water Billing Collections	189,444,275.50	133,215,087.50	(56,229,188.00)	70%	The Collection efficiency was disrupted by lack of water, during the days of power disconnection, customers did not pay well since they did not have water.
	Other Incomes					
3	News connection fees	3,900,000.00	1,475,900.00	(2,424,100.00)	38%	Due to the drought, the production was low and the Company could not engage in new connections.
4	Grants	-	6,100,000.00	6,100,000.00		Payments done by County Government to Kenya power to settle outstanding bills.
5	VAT refunds	-	584,246.00	584,246.00		The refunds were not budgeted for, since it was not yet clear how much was expected.
6	Staff houses maintenance	286,008.00	334,008.00	48,000.00	117%	More company's utility houses were vacated and issued to other staff who could be deducted
	projection	197,496,493.20	156,206,456.42	(41,290,036.78)	79%	
7	Total Administration Expenses	26,434,425.00	27,980,264.16	(1,545,839.16)	106%	Due to the legal fees, professional fees for VAT refund and frequent travels which were not expected.
8	Total Board Expenses	6,787,472.00	7,361,834.00	(574,362.00)	108%	Due to frequent meetings following suspension and consequently dismissal of management staff.
9	Total operational Expenses	76,957,550.09	72,761,896.33	4,195,653.76	95%	
10	Staff Costs	87,292,141.62	73,737,952.65	13,554,188.97	84%	
	Grand Expenditure	197,471,588.71	181,841,947.14	15,629,641.58	92%	
	Income less expenses	24,904.49	(25,635,490.72)	(25,660,395.20)		



Oloolaiser Water and Sewerage Company Limited

Reports and Financial Statements

For the year ended 30th June, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES & NOTES

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

1. 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 *Oloolaiser Water and Sewerage Company Ltd* accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of *Oloolaiser Water and Sewerage Company Ltd* 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.

a) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to *Oloolaiser Water and 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 *Oloolaiser Water and Sewerage Company Ltd* activities, and when specific criteria have been met for each of the *Oloolaiser Water and Sewerage Company Ltd* activities as described below.

- i) **Revenue from the sale of Water** is recognised in the year in which the *Oloolaiser Water and Sewerage Company Ltd* bills the customer which is after, the customer has consumed water and collectability of the related receivables is reasonably assured.
- ii) **VAT refunds from Kenya Revenue Authority** are recognised in the year in which the *Oloolaiser Water and Sewerage Company Ltd* actually receives after claiming for input tax
- iii) **Reimbursement from National Industrial Training Authority** is recognized in the year which the company has received as a result of offering attachment/Internship services.

b) Property, plant and equipment

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

Oloolaiser Water and Sewerage Company Limited

Reports and Financial Statements For the year ended 30th June, 2019

1.2 RELATED PARTY RELATIONSHIP

Board of Directors

The board of directors actively shapes the Company's mission and strategic direction. The board is also responsible for policy formulation, approval of utilization of Company funds, administration of the Company and protection of the property and assets of the Company. The responsibilities and limitations of the directors are primarily set out in the articles of Association of the Company and Corporate Governance Guidelines by the sector regulator.

Management Team

This is the management team chaired by the Managing Director and comprises of Head of Departments and Sections reporting directly to the Managing Director. The committee meets at least twice a month to review performance and to consider policy and business issues including strategic measures.

2.CRITICAL JUDGMENTS POLICIES

In the process of applying the entity's accounting policies, management has made assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. These are dealt with below:-

a)The Entity Assumption

Oloolaiser Water and sewerage Company Ltd is considered to be an accounting entity that controls resources and engages in economic activities and is assumed to be separate and distinct from all other entities regardless of the form of the organization. The affairs of the Oloolaiser Water and sewerage Company are distinguished even from those of its owners and information is compiled for the entity alone and the accounting and reporting process is concerned with the transactions and events that affect it.

b) The 'Going – concern' or Continuity Assumption.

Oloolaiser Water and Sewerage Company Ltd is assumed that it will continue in operation for the foreseeable future and that it has neither the intention nor the necessity of liquidation or of curtailing materially the scale of its operations. This assumption provides the foundation for accrual accounting where, revenues are to be recognized when the effort to earn that revenue is complete or substantially completed irrespective of whether cash is received or not and expenses are recognized when incurred irrespective of whether cash has been received or not. The



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Company has measures in place to increase its revenue and cut costs which will help improve the negative working capital of Kshs. 104,727,930. Some of the measures include development projects such as Kimuka, Ngurumani, Illoodariak and KWF water projects.

c) The Monetary or Unit of Measure Assumption.

Oloolaiser Water and Sewerage Company Ltd has considered money as its standard of measure to bring financial transactions together in a meaningful way as it considers money as the best for the purpose of measuring financial transactions in terms of stability.

In Kenya the monetary unit is the shilling.

3 RISK MANAGEMENT POLICIES

The company's activities expose it to a variety of financial risks. These activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the business and the operational risks are an inevitable consequence of being in business. The Company is exposed to credit risk when the consumers do not pay their bills when they fall due which end up being bad debts the Company is also exposed to liquidity risk due to the Company inability to settle its short term obligations when they fall due. The company's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the company's financial performance. The company's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and at the same time ensuring adherence to laid down limits. This is achieved by means of reliable and up to-date information systems

Oloolaiser Water and Sewerage Company Limited

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For the year ended 30th June, 2019**

OLOLOLAISER WATER AND SEWERAGE COMPANY LTD		
REPORTS AND FINANCIAL STATEMENTS		
FOR THE YEAR ENDED 30TH JUNE 2019		
1.OPERATING INCOME		
	2018/2019	2017/2018
	Kshs.	Kshs.
Water	147,712,302	134,460,284
Connection fees	1,475,900	705,800
Grants from Kajiado County	6,100,000	0
NITA Reimbursement		81,000
VAT refund	584,246	15,738,880
Staff rent	334,008	297,371
Total	156,206,456	151,283,335

2.STAFF COSTS		
	2018/2019	2017/2018
	Kshs.	Kshs.
Staff Salary	60,964,171.40	57,268,455
Employer Pension Contribution NWC	1,063,966.00	1,241,948
Leave and Passage	1,218,536.50	1,203,381
Staff Welfare	384,500.00	50,000
N S S F(Employer Contribution)	285,000.00	287,600
WASCA Sports	66,600.00	183,900
Employer Contribution to lap trust	6,851,708.75	5,945,081
Standby Allowances	2,370,920.00	1,867,250
Casual Wages	34,700.00	96,000
Total	73,240,102.65	68,143,615



Oloolaiser Water and Sewerage Company Limited

Reports and Financial Statements

For the year ended 30th June, 2019

3.DIRECTORS EXPENSES			
		2018/2019	2017/2018
	Notes	Kshs.	Kshs.
Board Allowances		5,463,056	3,542,048
Chairman's Honoraria		314,281	342,852
Other Board Expenses		1,584,497	2,279,370
Total		7,361,834	6,164,270

4. ADMINISTRATION			
		2018/2019	2017/2018
		Kshs.	Kshs.
Consultancy & Professional fees		1,514,865	3,131,971
Auditor's Remuneration		232,000	290,000
Telephone, Postage and Telegram		952,413	1,227,863
Travel & Accommodation		4,372,725	1,716,580
Office Electricity & Water		37,202	48,638
Membership to professional bodies		107,400	210,200
Advertising & Promotions		837,860	159,780
Insurance		4,790,727	4,043,875
Library Expenses		70,505	59,240
Office Tea & Cleaning		576,317	200,948
Office Stationery		139,229	562,543
Printing and Photocopying		64,958	1,722
Bank Charges		248,626	81,573
Provision for doubtful debts		652,192	346,889
Revenue Collection Expenses		341,720	856,574
Security Services		5,587,300	5,549,360
General Office Expenses		68,320	69,375
Office Rent		1,740,000	1,696,960
Depreciation		3,160,519	3,176,079
Donations		1,000,000	3,660
IT Expenses		1,326,992	1,034,018
Maintenance of Office Equipment		150,343	240,557
Purchase of office furniture & equipment		8,052	18,500
Uniforms & Protective Clothing		7,450.00	179,874
Staff Training		199,000.00	197,100
Workshops & Seminars		291,400.00	1,024,250
Total		28,478,114	26,128,129

Oloolaiser Water and Sewerage Company Limited

**Reports and Financial Statements
For the year ended 30th June, 2019**

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Oloolaiser Water and Sewerage Company Limited**Reports and Financial Statements****For the year ended 30th June, 2019**

5. OPERATIONAL			
		2018/2019	2017/2018
		Kshs.	Kshs.
Maintenance of W/Supplies		6,042,511	4,352,430
Maintenance of buildings & Stations		-	71,800
Maintenance of pumps and equipment		1,976,430	3,406,414
Power costs		45,458,052	38,302,688
Maintenance of M/Vehicles		267,600	474,939
Chemicals		12,260,662	14,613,308
M/Vehicle Fuel Expenses		76,100	102,840
Regulatory levy		4,222,689	1,361,691
Permit and Abstraction Fee		1,152,311	1,150,683
Water quality tests		453,967	23,083
Hire of Motor vehicles		0	0
Bulk Water		547,575	1,545,100
Hire of Motor Vehicles/Plant & Equipment		304,000	451,700
Total		72,761,896	65,856,676



Oloolaiser Water and Sewerage Company Limited

Reports and Financial Statements

For the year ended 30th June, 2019

NOTES TO THE FINANCIAL STATEMENTS		
FOR THE YEAR ENDED 31ST JUNE 2019		
	2018/2019	2017/2018
	KShs.	Kshs.
6. SHARE CAPITAL		
6. (a)Authorized		
5000 Ordinary shares of Kshs. 20 each	100,000	100,000
Issued:		
5000 Ordinary shares of Kshs. 20 each	100,000	100,000
6.(b) Reserves		
Capital Reserve	3,817,836	3,817,836
General Reserve	(107,847,263)	(75,998,932)
	(103,929,427)	(72,081,096)
7. TRADE & OTHER DEBTORS		
Water Supply Debtors	69,823,390	52,542,204
Provision for doubtful debts	(18,045,201)	(17,393,009)
Electricity Deposit	2,500	2,500
Rent Deposit	296,040	166,920
Water Deposit	1,500	1,500
W.S.T.F Accounts	6,000	6,000
	52,084,229	35,326,115
STAFF DEBTORS	566,416	35,285
8. TRADE & OTHER CREDITORS		
Trade Creditors	39,974,369	21,548,995
Net Salaries	3,649,316	3,429,680
N.H.I.F	2,450,909	102,450
N.S.S.F	47,600	47,600
Higher Education Loans Board	(2)	20,302
Nolturesh	-	
NITA	37,450	19,550
Paymaster General	2,364,853	2,364,853
Customers' Deposits	977,218	169,483
Laptrust	26,079,353	13,801,672
Honoraria Net	-	20,000
KCGWU	116,800	75,200
OWSWA Welfare Association	117,000	100,500
Liberty Life Assurance	14,544	14,544
COTU	56,745	28,200
ICEA Lion Insurance	12,725	5,090
Pan African Insurance	653	653
Kenindia	3,800	3,800
Sanlam life assurance	19,456	12,068
Premier (K) Ltd	-	8,200
Standard Chatered	4,014,101	2,517,208
Ukulima Sacco	274,409	216,183
Staff creditors	3,480,491	1,131,166
Auditor General	1,102,000	870,000
Nolturesh	-	7,400
Loan from Deposit account	14,124,450	13,910,750
Prepaid Water	2,296,876	800,607
WASREB	5,381,401	669,204
W.R.M.A	1,220,790	987,704
Tanathi Water Servises Board-Licensee's remuneration	50,970,780	50,970,780
Commissioner of Income Tax	2,214,980	2,214,980
	161,003,067	116,068,822

Ololais Water and Sewerage Company Limited

Reports and Financial Statements

For the year ended 30th June, 2019

9. PROPERTY PLANT AND EQUIPMENT

	Intangible Assets	Water Meters	Furniture & Office Equipment	Computers	Tanks	Pumps & Equipment	Total
COST		Kshs.	Kshs.	Kshs.			Kshs.
As at 1 July 2018	295,471	17,893,138	1,644,820	1,833,006	247,254	7,827,646	29,741,335
Additions at cost	-	1,900,000	-	76,000	-	1,147,200	3,123,200
Disposal	-	-	-	-	-	-	0
As at 30 June 2019	295,471	19,793,138	1,644,820	1,909,006	247,254	8,974,846	32,569,064
DEPRECIATION							0
At 1 July, 2018	295,471	13,232,920	1,047,448	1,183,510	178,536	6,754,789	22,692,674
Charge for Year	-	2,184,553	71,685	217,649	20,615	666,017	3,160,519
As at 30 June, 2019	295,471	15,417,473	1,119,133	1,401,159	199,151	7,420,806	25,853,193
NET BOOK VALUE							
As at 30 June, 2018	-	4,660,218	597,372	649,496	68,718	1,072,857	7,048,661
As at 30 June, 2019	-	4,375,665	525,687	507,847	48,103	1,554,040	7,011,342

10. Cash Balances

Cash at Bank	2018/2019	2017/18
		Kshs.
K.C.B. Ongata Rongai -Revenue	429,740	144,253
K.C.B. Expenditure Account	103,775	355,983
K.C.B. Deposit Account	977,218	169,483
Posta Corporation	227,187	342,922
Post Bank	62,736	182,834
MPESA	2,050,566	376,790
	3,851,222	1,572,265
Cash In Hand		
Office Petty Cash	13,270	5,400
	13,270	5,400
	3,864,492	1,577,665
Donor Funds		
KCB WSTF - UBSUP	411,898.91	447,960.91

11. CURRENCY

The financial statements are presented in Kenya Shillings

12. INCORPORATION

The Company is registered in Kenya under the Companies Act (Cap 486)

13. TAXATION

The Company is subjected to Corporation Tax at a rate of 30% per annum

