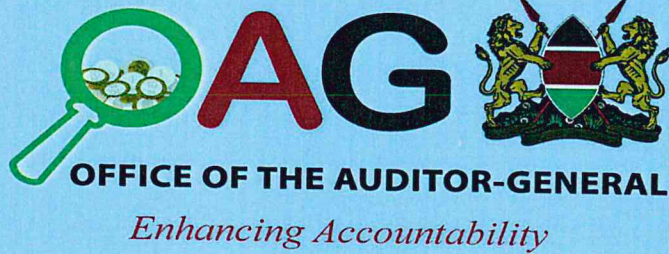


REPUBLIC OF KENYA



REPORT

OF

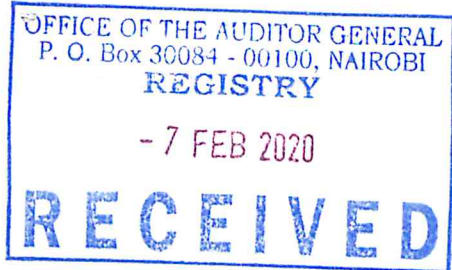
THE AUDITOR-GENERAL

ON

**OL KALOU WATER AND SANITATION
COMPANY LIMITED**

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

PAPERS LAID	
DATE	05/04/2022
TABLED BY	DLM
COMMITTEE	—
CLERK AT THE TABLE	MR. AMOLD



OL KALOU WATER & SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2019**

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

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Ol Kalou Water and Sanitation Company

Annual Reports and Financial Statements

For the year ended June 30, 2019

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. At cabinet level, the Ol- Kalou Water and Sanitation Company Limited is represented by the Cabinet Secretary for Water, who is responsible for the general policy and strategic direction of the Ol- Kalou Water and Sanitation Company Limited. 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.

Directors

The Directors who served the entity during the year/period until 9/3/2019 were as follows:

- | | | | |
|----|---------------------------|-------------------|--|
| 1. | Dr. Godfrey Irungu Njenga | - Chairman | - Appointed on August 2014 |
| 2. | Francis M. Maina- | Managing Director | - Appointed on 1 st March 2017. |
| 3. | Nderi Ndiani | | - Appointed on August 2014 |
| 4. | Agatha Thuo | | - Appointed on August 2014 |
| 5. | Teresiah N. Muchemi | | - Appointed on August 2014 |
| 6. | Samson M. Kanyoro | | - Appointed on August 2014 |

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



OI Kalou Water and Sanitation Company

Annual Reports and Financial Statements

For the year ended June 30, 2019

KEY ENTITY INFORMATION (Continued)

Corporate Bankers

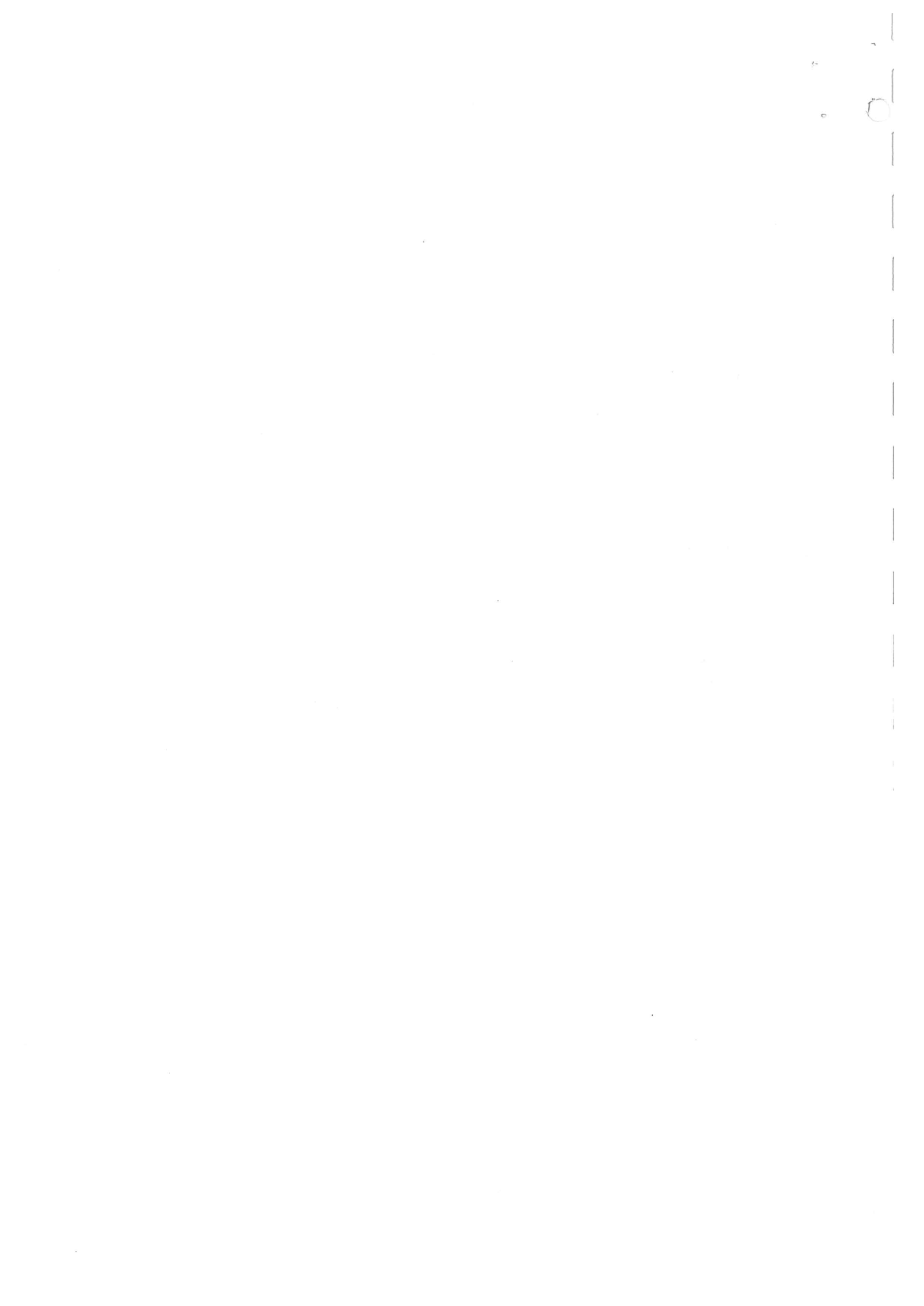
1. The Co-operative Bank of Kenya Ltd
P.O. Box 558-20303
OI Kalou
Fax: 020-23149965
Mobile: 0708-223334, 0732-520415
Email: olkaloubr@co-opbank.co.ke

Independent Auditors

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

Principal Legal Advisers

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









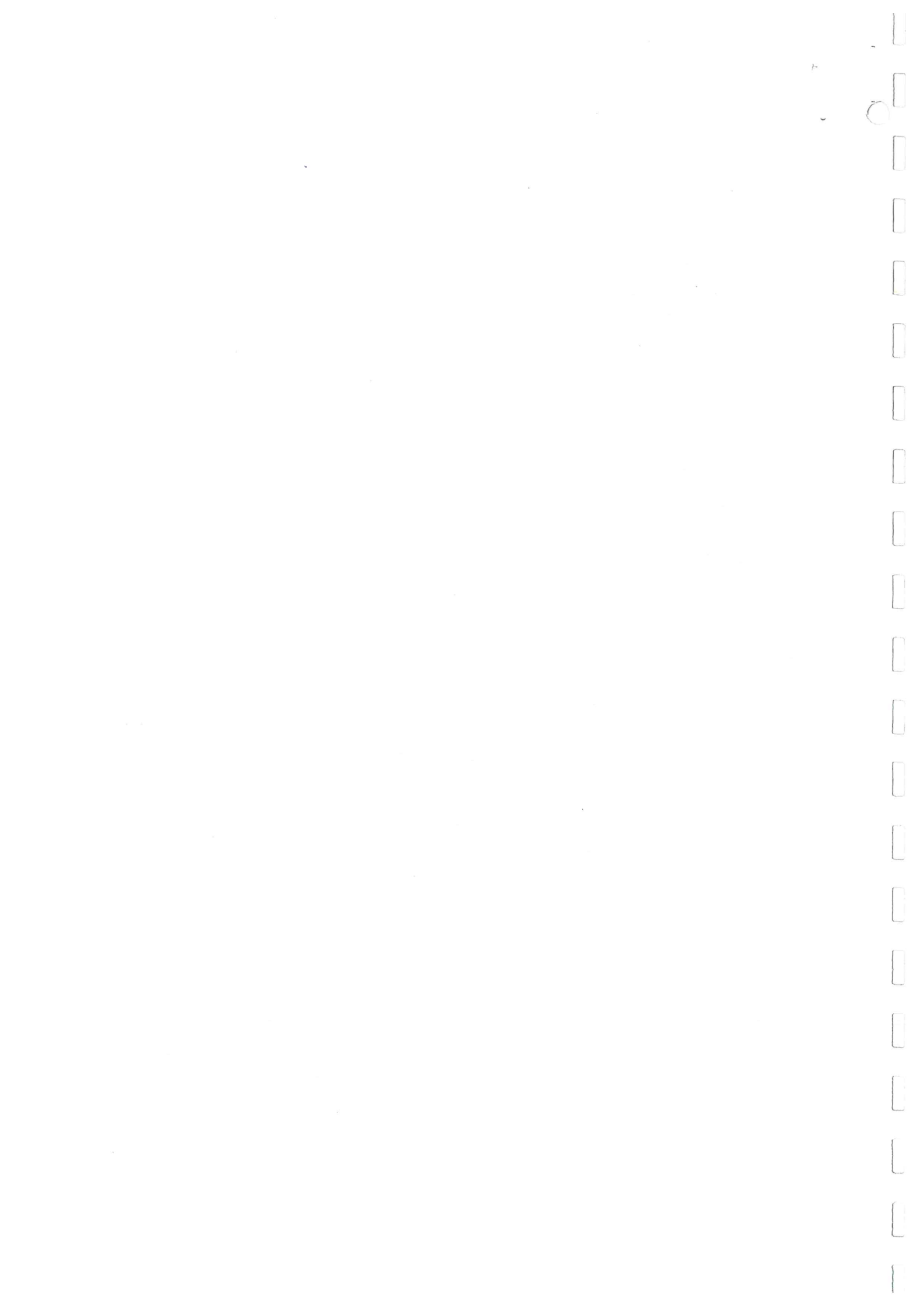
OI Kalou Water and Sanitation Company

Annual Reports and Financial Statements

For the year ended June 30, 2019

THE BOARD OF DIRECTORS

 <p>Njenga I. Godfrey (PhD.) BOARD CHAIRMAN</p>	<p>Academic Qualification: Bed. Arts BLL-BEL(UoN), M.A Lit(UoN), PhD (OnG) -Professional Qualification: Lecturer in Literature/Linguistics Consultant: Kenya School of Government -Date of Birth: 8th August, 1965 -Work experience: 21 years</p>
 <p>Nderi Ndiani DIRECTOR</p>	<p>Academic Qualification: LLM(UoN), MBA(Strategic Management) -Professional Qualification: Post Graduate Diploma(Law) -Date of Birth: 6th February 1983 -Work experience: 11 years</p>
 <p>Agatha Thuo DIRECTOR</p>	<p>Academic Qualification: Bsc. Agriculture, MBA(Project Management) -Professional Qualification: -Date of Birth: 5th May 1962 -Work experience: 31 years</p>
 <p>Teresiah N. Muchemi DIRECTOR</p>	<p>Academic Qualification: E.A.C.E. -Profession: Businesswoman -Date of Birth: 8th January 1967 -Work experience: 21 years</p>
 <p>Samson M. Kanyoro DIRECTOR</p>	<p>Academic Qualification: BCOM(Finance), Bsc. Accounting (Oxford Brookes, UK) -Professional Qualification: ACCA (Finalist) -Date of Birth: 4th May 1987 -Work experience: 8 years</p>
 <p>MANAGING DIRECTOR Francis M. Maina</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: 12th September, 1970. -Work experience: 23 years.</p>



MANAGEMENT TEAM



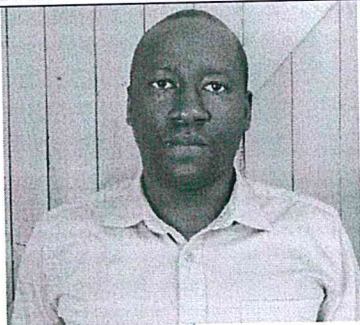
**MANAGING DIRECTOR
FRANCIS M. MAINA**

Academic Qualifications: B.A (Economic)
U.O.N.
-Diploma in Management(KIM)
-Member of the Kenya Institute of
Management(MKIM)
-Date of Birth: 12th September, 1970.
-Work experience: 23 years.



**MRS. REGINA MBURU
AG. TECHNICAL MANAGER**

Academic Qualification: Higher Diploma
-Professional Qualification: Higher Diploma
in Water Engineering- KEWI
-Date of Birth: 1963
-Work experience: 30 years



**MR. MWANGI N. JOSEPH
AG. COMMERCIAL MANAGER**

Academic Qualification: Bachelor Of
Purchasing & Supplies Management.
-Member of Kenya Institute of Supplies
Management (KISM)
-Date of Birth: 23rd March 1991
-Work experience: 6 years



OI Kalou Water and Sanitation Company

Annual Reports and Financial Statements

For the year ended June 30, 2019

BOARD'S STATEMENT

I feel honoured while presenting to you the report of OI Kalou Water and Sanitation Company Limited for the financial year 2018/2019.

PERFORMANCE REVIEW

During the year under review, the company improved tremendously despite a few shake-ups which emerged from road grading resulting to high cost of maintaining broken pipes and high levels of Non-Revenue Water.

The company service area increased from 25km² to 28km² from company's own revenue and support from Nyandarua County.

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. We have appointed a response committee to earmark the road map on how to tackle the issue.

Inadequate water capacity has also been a challenge due to the anticipated increase in the demand particularly OI Kalou due to the county headquarters at OI Kalou. However the company is sourcing funds to construct an adequate reservoir which will fully meet the demand of OI Kalou to accommodate this deficit.

FUTURE PROSPECTS

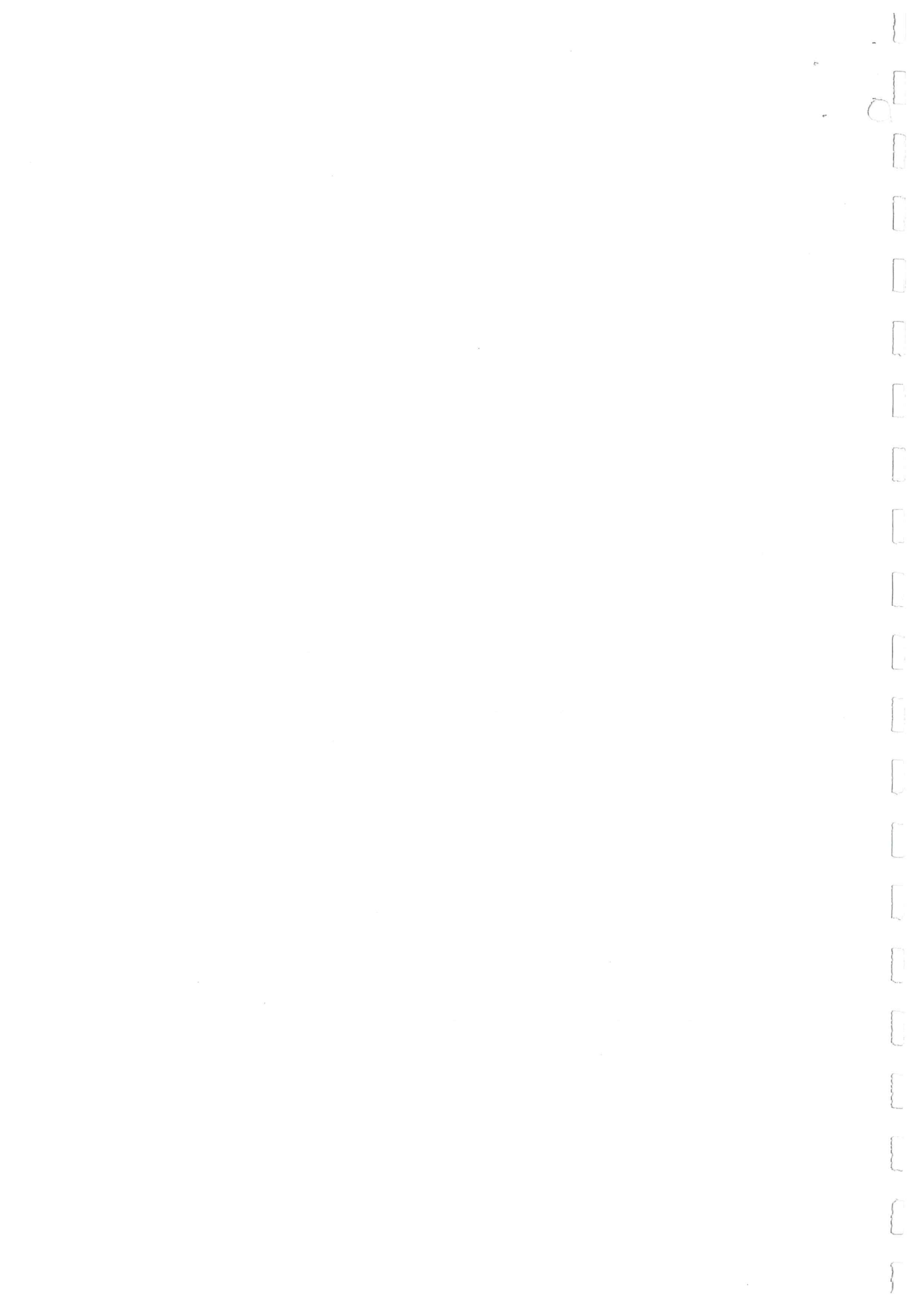
Looking ahead the company intends to source funds for construction of a water intake, water and sewerage treatment works to improve water and sanitation services. However it will continue to fulfil its mission to ensure sustainable, efficient, effective and reliable provision of quality and affordable 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, Rift Valley Water Works Development Agency, my fellow board members, 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 the Board will continue to provide the necessary oversight, guidance and support to the management to propel the company to achieve its medium and long term objectives.



Samson Kanyoro
Member- Board of Directors.
OI Kalou Water & Sanitation Company Limited.



OI Kalou Water and Sanitation Company

Annual Reports and Financial Statements

For the year ended June 30, 2019

REPORT OF THE MANAGING DIRECTOR

OI kalou Water and Sanitation Company (OLWASCO) was initially a Government of Kenya Gazetted urban water supply scheme which was started in 1973 with only one borehole at the center of the OI kalou town. Since then the boreholes have increased to five from the initial one. On July 1st 2006, OLWASCO assets and operations were handed over to Rift Valley Water Works Development Agency (RVWWDA) in accordance with Water Act 2016 institutional re-organization. RVWWDA further licensed OI kalou Water & Sanitation Company Limited as a water Service Provider (WSP) to operate and manage the scheme as their agent.

The mandate of OLWASCO is set in The Service Provision Agreement (SPA) and in the Memorandum and Articles of Association.

The fundamental statements that guides OLWASCO are: - The vision, Mission, and core functions as explained here below:

Vision of OLWASCO

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

Mission

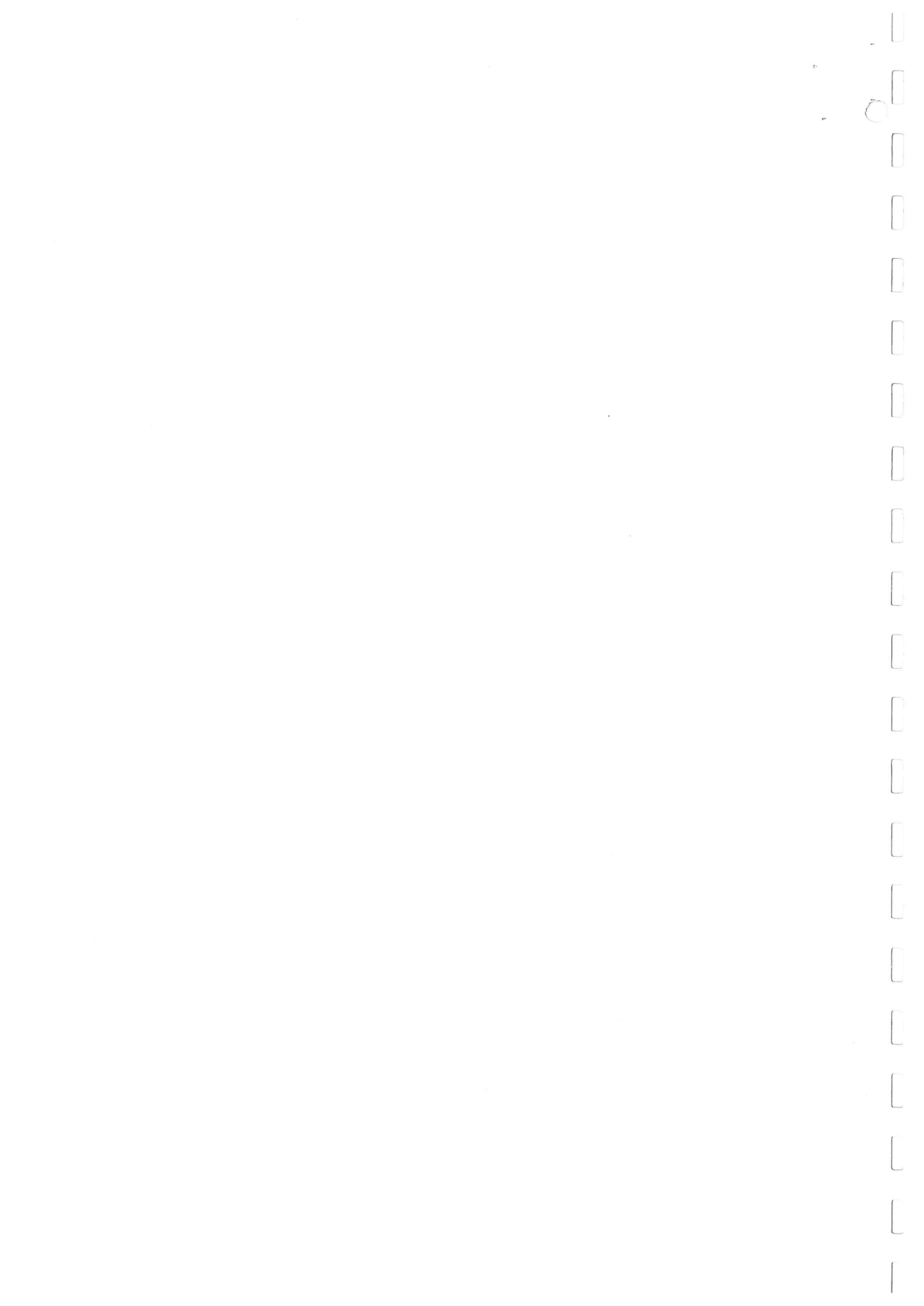
“To ensure sustainable, efficient, effective & reliable provision of quality and affordable water and sanitation services of the people of OI Kalou Sub-county of Nyandarua County.

Currently OLWASCO is run by Board of Directors (BOD) as the main policy making body. The Board of Directors (BOD) is comprised of Directors appointed from a cross section of stakeholders of varied interests and professional background who are able to serve the company efficiently & adequately. The BOD has two committees which lenders guidance through the Chairman of the Board,

The OLWASCO has a total of 24members of staff seven of whom have been seconded from the county Government. The day to day affairs of OLWASCO are run by the Corporate Management Team (CMT) under the leadership of The Managing Director (MD).

The current source of water is river Malewa whose mode of transmission is gravity and boreholes. OLWASCO has insufficient water to meet its demand especially during the dry spell, as the river is overdrawn at various points by communities and organizations.

Water is also drawn by other beneficiaries for irrigation. The company abstracts between 1700m³ per day during rainy season and 800m³ per day during the dry season against a demand of over 3200m³ per day.



OI Kalou Water and Sanitation Company

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

CHALLENGES

- Lack of water treatment work thus supplying raw water.
- Lack conversion sewer system and sewer treatment works.
- Insufficient financial resources.
- Dilapidated and decaying infrastructure.
- Inadequate storage tanks.
- Inadequate water source.
- Destruction of catchment areas.
- Low ability to pay for water services.
- High operational and maintenance costs.
- Illegal water connections.
- High statutory remittances, NEMA, WARMA, WASREB etc.

CONCLUSION

I wish to extend my gratitude to both National and County Governments for their financial support and especially salaries for the seconded staff and even their morale support.

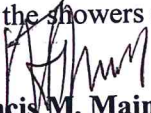
I am grateful to Water Service Regulatory Board for their continued guidelines and especially during the milestones of the devolved government.

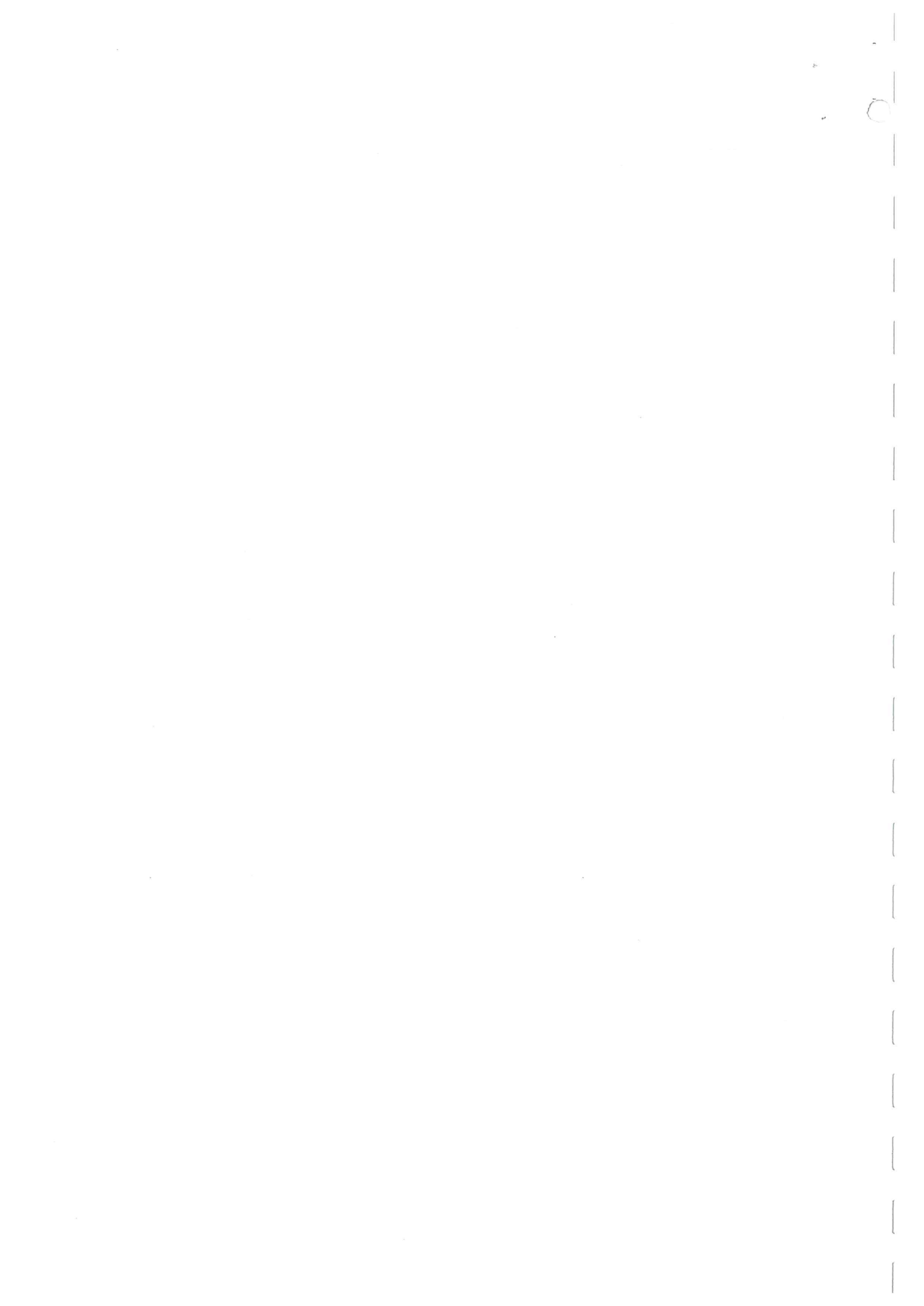
Rift Valley Water Works Development Agency, you stood with us by giving us advice and encouragement throughout the year.

Company directors and staff united as one and we have made it. Let the same spirit continue.

And to our esteemed customers, thank you for granting us the opportunity to serve you.

May the showers of blessings be upon us all.


Francis M. Maina (Mr)
Managing Director.



INTRODUCTION

OI Kalou Water and Sanitation Company Limited is a water service provider licensed by the Rift Valley Water Works Development Agency as a Water Service Provider to provide water and sewerage services to OI Kalou sub-county. The company is led by a board of directors who appoint the managing director to head the corporate management team who is responsible for the day to day operations.

BOARD OF DIRECTORS

The company's new Board of Directors were appointed on 11th March, 2019 but are yet to be inaugurated to date. Two are from Nyandarua County Government and six from other stakeholders totalling to eight.

COMPLIANCE

Tender and procurement committees were in place, statutory requirement were complied with, and all quarterly and annual reports were prepared and submitted Rift Valley Water Works Development Agency as agreed in the performance contract.

CORPORATE RESPONSIBILITY

The Company in partnership with Water Service Trust Fund (WSTF) has completed the scaling basic sanitation in Huruma through the UBSUP project.



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



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)
- Increased number of connections from 2800 to over 3000
- Introduced SMS billing which in return has improved the company's revenue collection
- Increase the profit of Kshs. 298,683 for 2018/2019 to Kshs. 2,467,720.
- Secured grant from WSTF for construction of another decentralized treatment facility (DTF)
- Put into place strict financial management control measures by continuously building capacity of staff in different levels

This is an improved efficiency in all departments and a positive drive from the staff

OI Kalou Water and Sanitation Company

Annual Reports and Financial Statements

For the year ended June 30, 2019

REPORT OF THE DIRECTORS

Principal activities

The principal activities of the entity continue to be provision of water services to OI Kalou town and its environs. During this year, the company 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, 2019 are set out on page 1 below is summary of the profit or loss made during the year.

	Note	2019	2018
		Kshs	Kshs
PROFIT/(LOSS) BEFORE TAXATION		2,467,720	298,683

Auditors

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Public Finance Management Act, 2012 and the State Corporations Act, require the Directors to prepare financial statements that give a true and fair view of the state of affairs of OI Kalou Water and Sanitation Company Limited at the end of the financial year and the operating results of the water company for that year. The Directors are also required to ensure that the water company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the water company.

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs for and as at the end of the financial year ended on June 30, 2019. 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 PFM Act 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 ,2019, and of the water company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

OI Kalou Water and Sanitation Company Limited financial statements were approved by the Board on 2019 and signed on its behalf by:



Mr. Francis M. Maina

Managing Director

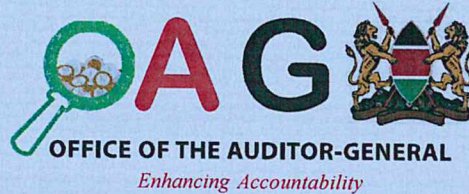


Samson Kanyoro.

Member-Board of Directors

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 OL KALOU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2019

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 28, which comprise the statement of financial position as at 30 June, 2019, and statement of profit or 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 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, 2019, 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

1.0 Inaccuracies in the Financial Statements

The financial statements contain the following errors and misstatements:

- (i) The statement of profit and loss and other comprehensive income reflects provision for bad and doubtful debts totalling Kshs.788,543. However, the statement of cash flows reflects Kshs.51,088 in respect to the account resulting to an unexplained and unreconciled variance of Kshs.737,455.
- (ii) The statement of cash flows reflects change in retirement benefit obligations totalling Kshs.443,722. However, the items included in the balance totalled Kshs.220,522 resulting to an unexplained variance of Kshs.223,200.

- (iii) The statement of cash flows reflects a change in trade and other payables totalling Kshs.1,475,478 whereas the items included in the balance amount to Kshs.1,602,245. No explanation was provided for the variance of Kshs.126,767 between the two sets of records.
- (iv) The statement of cash flows reflects an increase in customer deposits by Kshs.1,836,748 over the previous year. However, a recast of the items included in the balance yielded Kshs.324,921 resulting to an unexplained variance of Kshs.1,511,827.
- (v) The statement of cash flows reflects an increase in trade and other receivables totalling Kshs.459,788. However, the items included therein totalled Kshs.552,240 resulting to unexplained variance of Kshs.92,542.
- (vi) The statement of financial position as at 30 June, 2019 reflects a current liability balance for customer deposits totalling Kshs.2,680,961. However, the cash balance relating to the account is not reflected in the statement and no explanation was provided on how the deposits may have been expended.

In view of these issues, the accuracy and completeness of the financial statements as prepared and presented, could not be confirmed.

2.0 Unconfirmed Balances

The following balances reflected in the financial statements are not adequately supported with relevant documents:

2.1 Bank and Cash Balances

The statement of financial position reflects bank and cash balances totalling Kshs.1,915,954 as further disclosed in Note 11 to the financial statements. However, the cash book and bank reconciliation statements for four (4) bank accounts maintained by the Company were not provided for audit review. Further, no documentation was provided to explain the adjustment totalling Kshs.1,395,325 made against the account's prior year balance.

In the circumstance, the accuracy and completeness of the reported cash and bank balances totalling Kshs.1,915,954 as at 30 June, 2019 could not be confirmed.

2.2 Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance totalling Kshs.7,189,340 as further disclosed in Note 10(a) to the financial statements. Receivables totalling Kshs.6,982,549 or 89% of the balance had, as at 30 June, 2019, been outstanding for more than one year. However, provisions for bad debts had only been made for debts totalling Kshs.788,432 and may therefore have been insufficient.

As a result, recoverability of the trade and other receivables balance totalling Kshs.7,189,340 as at 30 June, 2019 could not be confirmed.

2.3 Trade and Other Payables

The statement of financial position reflects trade and other payables balance totalling Kshs.20,200,849 as further disclosed in Note 15 to the financial statements. Included in the balance is Kshs.18,718,270 owed to Rift Valley Water Works Development Agency. However, the Agency's records indicated that the Company owed it Kshs.13,255,203. Therefore, the Company may have overstated its debt to the Agency by Kshs.5,463,067.

In the circumstance, the accuracy and fair statement of the trade and other payables balance totalling Kshs.20,200,849 as at 30 June, 2019 could not be confirmed.

2.4 Capital Reserve

The statement of financial position reflects a capital reserve balance of Kshs.1,768,431 as further disclosed in Note 13 to the financial statements. However, records on the arrears and debtors were not provided for audit review and as a result, the accuracy and completeness of capital reserve balance totalling Kshs.1,768,431 as at 30 June, 2019 could not be confirmed.

2.5 Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance totalling Kshs.34,541,379, as further disclosed in Note 6 to the financial statements. However, the detailed fixed asset register was not provided for audit review.

As a result, the accuracy and fair statement of the reported property, plant and equipment balance totalling Kshs.34,541,379 as at 30 June, 2019 could not be confirmed.

3.0 Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income reflects an operating loss totalling Kshs.11,395,037 in the year under review. In addition, the statement of financial position reflects current liabilities totalling Kshs.20,644,571 which exceed the current assets of Kshs.12,796,422 resulting to a negative working capital of Kshs.7,848,149 as at 30 June, 2019.

The unfavorable financial position denotes the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern. Although the financial statements have been prepared on assumption that the Company will remain as a going concern, sustainability of its operations may require the support of the County Government of Nyandarua and creditors.

No disclosure has been made in the financial statements on the actions Management has taken, or intends to take, to reverse the loss making trend and put the Company back on the path to profitability.

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

Other information

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

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

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects revenue budget and actual on comparative basis totalling Kshs.39,121,000 and Kshs.33,824,006 respectively resulting to a revenue shortfall of Kshs.5,296,994 or 14% of the budget.

The expenditure budget totalled Kshs.37,705,000 and actual expenditure Kshs.31,326,506 resulting in a variance of Kshs.6,378,494 or 17% of the budget. The shortfall may have constrained implementation of planned activities.

Prior Year Issues

The report for the previous year highlighted several unconfirmed balances as well as irregularities and ineffective use of resources and lack important risk management and internal control components. The report for the year under review has not indicated the progress made by Management in resolving these issues.

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, I confirm that, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, 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

Non-Revenue Water

Water production records indicated that the Company's water production in the year under review totalled 437,884 cubic meters (M³) out of which only 268,790 cubic meters (M³) were billed to customers. The balance totalling 169,094 cubic meters (M³) equivalent to 39% of the production was designated as Non-Revenue Water (NRW). The NRW exceeded by fourteen (14) percentage points the threshold of 25% approved in the guidelines issued by the Water Services Regulatory (WASREB).

The 169,094 cubic meters (M³) of NRW may have resulted in losses totalling Kshs.17,117,385 as calculated from the billing rate of Kshs.101.23 per cubic meter imputed from the water sales reported by the Company in the year under review. The high level of NRW implied that the Company's water distribution system was inefficient due to leakages or other causes, or water consumed by many of the Company's customers was not metered or paid for.

Management has not disclosed the measures it has taken, or intends to take, to reduce or eliminate the NRW.

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 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

Lack of Risk Management Policy

Contrary to Section 158 (1) of the Public Finance Management (County Governments) Regulations, 2015, the Company did not have a risk management policy and a business continuity plan in the year under review.

As a result, Management lacked objective means to identify, measure and mitigate operational and other risks faced by the Company. Further, the operations of the Company were likely to be disrupted on occurrence of unfavorable events that impact its systems.

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, 2015, I report based on my audit, that:

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

Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

The Board of Directors is responsible for overseeing the 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 to sustain its services. 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 sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and 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, SBS
AUDITOR-GENERAL

Nairobi

12 January, 2022

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
		Kshs	Kshs
REVENUES			
Sales/Turnover	1	27,210,466	24,471,758
In-Kind Contributions	2	4,103,340	3,280,640
Other Income	3	2,510,200	2,054,888
TOTAL REVENUES		33,824,006	29,807,286
OPERATING EXPENSES			
Administration Costs	4	30,908,631	29,107,782
Depreciation	6	258,964	322,552
Amortisation	7	158,911	78,269
Other Operating Expenses			
TOTAL OPERATING EXPENSES		31,326,506	29,508,873
OPERATING PROFIT/(LOSS)		2,497,499.62	298,683
Finance Income			
Finance Costs		29,780	0
PROFIT/(LOSS) BEFORE TAXATION	8	2,467,720	298,683
PROFIT/(LOSS) AFTER TAXATION		2,467,720	298,683



Ol Kalou Water and Sanitation Company**Annual Reports and Financial Statements****For the year ended June 30, 2019****STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Note	2019 Kshs	2018 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	6	34,541,379	34,473,715
Intangible assets	7		158,911
Total Non-Current Assets		34,541,379	34,632,626
Current Assets			
Inventories	9	3,589,128	2,041,296
Trade and other receivables	10(a)	7,189,340	6,637,100
Deposits and prepayments	10(c)	102,000	102,000
Bank and cash balances	11	1,915,954	2,513,861
Total Non-Current Assets		12,796,422	11,294,257
TOTAL ASSETS		47,337,801	45,926,883
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	12	100,000	100,000
Retained Earnings		(11,395,037)	(13,862,757)
Grant	6	33,538,875	33,538,875
Capital reserve	13	1,768,431	1,768,431
Capital and Reserves		24,012,269	21,544,279
Non-Current Liabilities			
Customer Deposits	14	2,680,961	2,356,040
Total Non-Current Liabilities		2,680,961	2,356,040
Current Liabilities			
Trade and other payables	15	20,200,849	21,803,094
Retirement benefit obligations	16	443,722	223,200
Total Current Liabilities		20,644,571	22,026,294
TOTAL EQUITY AND LIABILITIES		47,337,801	45,926,613

The financial statements were approved by the Board on _____ 2019 and signed on its behalf by:



Samson Kanyoro

Member-Board of Director



Annual Reports and Financial Statements
For the period ended June 30, 2019

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Ordinary share capital(Kshs.)	Capital reserve(Kshs.)	Retained earnings(Kshs.)	Grants(Kshs.)	Total(Kshs.)
At July 1, 2016	100,000	1,768,431	(7,609,911)	33,538,875	27,797,395
Profit/ loss for the year	-	-	-		
Total comprehensive income	-	-	(6,551,529)		
At June 30, 2017	100,000	1,768,431	(14,161,440)	33,538,875	21,245,866
At July 1, 2017	100,000	1,768,431	(14,161,440)	33,538,875	21,245,866
Total comprehensive income			298,683		
At June 30, 2018	100,000	1,768,431	(13,862,757)	33,538,875	21,544,549
At July 1, 2018	100,000	1,768,431	(13,862,757)	33,538,875	21,544,549
Total comprehensive income			2,467,720		
At June 30, 2019	100,000	1,768,431	(11,395,037)	33,538,875	24,012,269

**Annual Reports and Financial Statements
For the period ended June 30, 2019**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 Kshs	2018 Kshs
Operating profit/(loss)		2,467,720	298,683
Depreciation	6	258,964	322,552
Amortisation	7	158,911	78,269
Provision for bad debts		51,088	660,160
Operating profit/(loss) before working capital changes		2,936,683	1,359,664
(Increase)/decrease in inventories	9	(1,547,832)	(1,009,586)
(Increase)/decrease in trade and other receivables	10(a)	(459,788)	2,485,195
Increase/(decrease) in trade and other payables	15	(1,475,478)	(1,156,342)
Increase/(decrease) in retirement benefit obligations	16	443,722	223,200
Increase in customer deposits account		1,836,748	975,189
Cash generated from/(used in) operations		(1,202,628)	1,517,656
Net cash used in operating activities		1,734,055	2,877,320
INVESTING ACTIVITIES			
Purchase of Property & Equipment cash and cash equivalents		247,000	0
Net increase/(decrease) in cash and cash equivalent		1,734,055	2,877,320
Balance at beginning of the year		2,615,860	(14,953,280)
Adjustment of Prior year investing activity		0	16,087,145
Adjustment of Prior year opening balance-		0	(1,395,325)
Balance at end of the year		<u>4,596,915</u>	<u>2,615,860</u>
Cash at bank	11(b)	4,584,315	2,478,705.
Cash in hand	11(b)	12,600	35,155
Deposit and prepayment	10(c)	-	102,000
Balance at end of the year		<u>4,596,915</u>	<u>2,615,860</u>

Annual Reports and Financial Statements
For the period ended June 30, 2019

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2019

Revenue Item	Budget Kshs	Final budget 2018-2019	Performance difference 2018-2019		
			Actual on comparable basis 2018-2019	Variance Kshs	% Variance
Water Chargers	35,000,000		27,024,466	-7,975,534	-23%
Reconnection fee	800,000		536,900	-263,100	-33%
Penalties	900,000		541,500	-358,500	-40%
Meter Rent	1,200,000		1,124,800.00	-75,200	-6%
Sale of Tender	100,000.00		80,000.00	-20,000	-20%
Decentralized Facility Treatment	471,000.00		186,000.00	-285,000	-61%
New Connection fee (Labour fee)	650,000.00		222,000.00	-428,000	-66%
Mater testing	0		5,000.00	5,000	100%
In-Kind Contribution	0		4,103,340.00	4,103,340	100%
Total Budget	39,121,000		33,824,006	-5,296,994	-14%

Expenditure Item	Budget Kshs	Performance difference 2018-2019		
		Actual Kshs	Variance Kshs	% Variance
Administration Cost	37,705,000.00	30,908,631.26	-6,796,368.74	-18%
Depreciation of property	-	258,964.13	258,964.13	100%
Amortization of Intangible Asset	-	158,911.00	158,911.00	100%
Total Expenditure	37,705,000	31,326,506.39	-6,378,493.61	-17%

OI Kalou Water and Sanitation Company
Annual Reports and Financial Statements
For the year ended June 30, 2019

Budget notes:

- I. OI Kalou Water and Sanitation Company had estimated its water sale at Kshs. 2.75 million per month which it did not realize because of low water levels at its main source that is River Malewa.*
- II. With decrease in production, the estimated 1600 reconnections was not met.*
- III. The decrease in production also affected the meter rent as the company had estimated an increase of 650 number of connection but only realised 222.*
- IV. The company had estimated sale of 100 tenders for a proposed Decentralised Treatment Facility and annual supplier registration. This was not realised wholly as it sold 80 tenders by 30th June 2019.*
- V. The company estimated 3 Exhausters per day @ Kshs. 500 for 314 working days and Saturdays that was not met as it is based on demand.*
- VI. With the shortfalls in revenue, the company could not meet the budgeted administration cost as it totally depended on its revenue to meet its expenditure.*
- VII. In –Kind donation (Kshs. 4,103,340.) refers to the salary paid to the seconded staff by the Nyandarua County Government. This is paid directly to the staffs’ personal bank accounts.*
- VIII. The increase in WASREB levy was due to change in WASREB policy on percentage of revenue to be remitted. This percentage used to be 1% of the total billed, yet it was increased to 4% as from November 2018 as per the Kenya Gazette Notice No. 121880 of 23rd November 2018.*



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 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) Relevant New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

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

ii) Early adoption of standards

The Ol Kalou Water & Sanitation Company did not early – adopt any new or amended standards in year 2019.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

Revenue is 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.

1. **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.
2. **Grants from National Government, County government & Rift Valley Water Service Board** 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.
3. **Other income** is recognised as it accrues.

b) In-kind contributions

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

c) Property, plant and equipment

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

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the

same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

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

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

Depreciation on property, plant and equipment is 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.

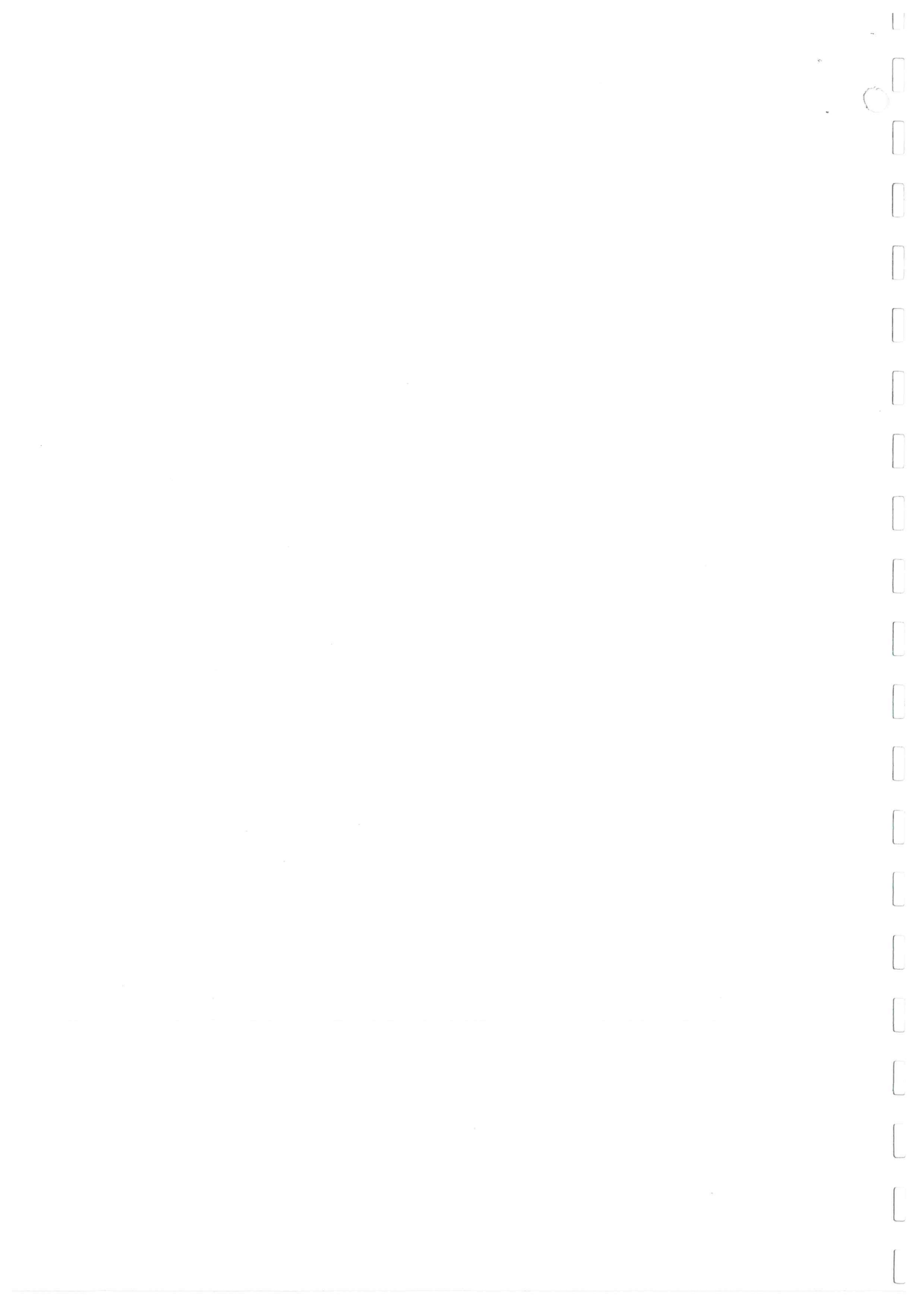
All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

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 Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term 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 & 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 FY 2018-2019 was approved by the Board of Directors.

The OI Kalou Water & 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1) SALES/TURNOVER

	2019	2018
	Kshs	Kshs
Gross sales of goods	27,024,466	24,293,258
Gross sales of services	186,000	178,500
Less: Value added tax on gross sales	0	0
Total	27,210,466	24,471,758

Gross sales of services is Decentralised Treatment Facility

2) IN-KIND DONATIONS

	2019	2018
	Kshs	Kshs
Seconded personnel	4,103,340	3,280,640
Creditors written off	0	0
Total	4,103,340	3,280,640

3) OTHER INCOME

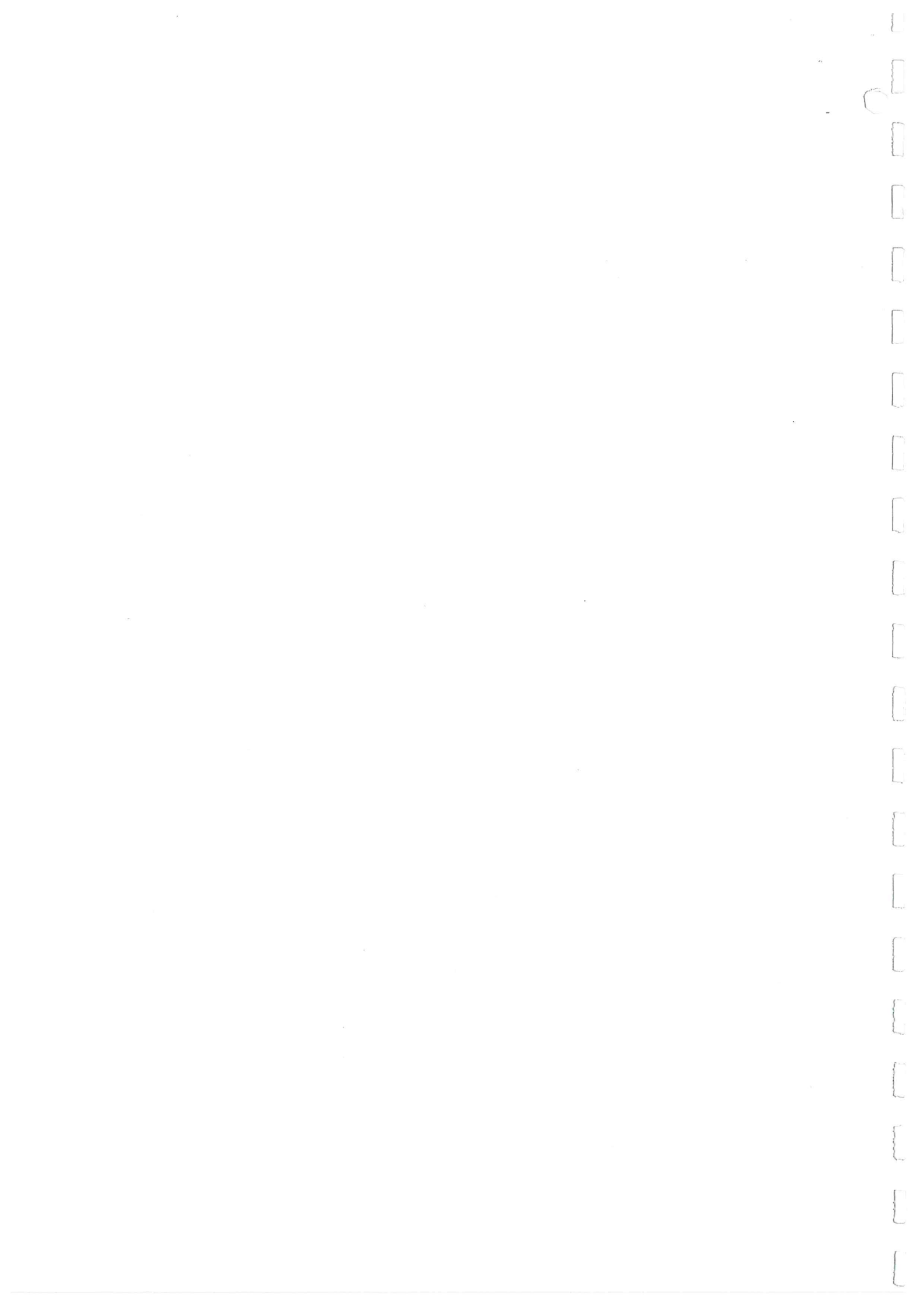
	2019	2018
	Kshs	Kshs
Fines and penalties	541,500	568,000
Cash Donations		
Tender Sale	80,000	
Other miscellaneous receipts	1,888,700	1,486,888
Total	2,510,200	2,054,888

4) ADMINISTRATION COSTS

	2019	2018
	Kshs	Kshs
Staff Costs	13,746,811	10,662,790
Travel and subsistence	725,350	943,455
Printing & Stationeries	196,285	202,430
Advertising and publicity	285,360	0
Telephone and postage	336,830	206,430
staff training	54,425	89,845
Directors emoluments	378,000	734,000
Security expenses	-	431,500
WARMA	155,848	246,577
WASREB	808,209	265,267
WASPA	55,000	55,000
RVWSB	0	4,465,019
Upper Malewa Levy	60,000	120,000
Staff rewards	259,300	578,050
Office expenses	113,680	115,752
Office Tea and general supplies	151,371	124,619
Uniform and soaps	546,700	297,250
Software expenses	268,980	304,500
Repairs - computers	275,400	22,900
Repairs & maintenance (Piping extensions)	4,976,039	2,637,061
Water meter supply	2,400,500	1,938,200
Motor vehicle expenses (maintenance & Repair)	418,330	446,471
Maintenance building	51,567	49,228
Electricity	2,071,188	1,827,000
Professional fees- audit fees	348,000	348,000
Insurances, Licences & Permits	40,750	52,800
Meeting expenses	103,500	269,500
Other expenses (Chemicals, tools, & furniture repair)	189,420	8,505
Newspapers and periodicals	15,450	14,280
Generator Expenses	0	28,550
Contracted professionals	715,804	356,712
Motor vehicle fuel	371,991	327,541
Provision for bad debts	788,543	660,160
Bank Charges	0	62,553
TOTAL ADMIN COSTS	30,908,631	29,107,782

5) STAFF COSTS

	2019	2018
	Kshs.	Kshs.
Salaries and allowances of permanent employees	6,304,376	5,337,300
Wages of temporary employees	415,877	401,228
Salaries - seconded	4,103,340	3,280,640
Compulsory national health insurance schemes	160,000	129,950
Compulsory national social security schemes	408,820	403,777
Leave pay and gratuity provisions	1,049,720	849,895
Staff welfare	300,000	260,000
Commission of Domestic taxes- Paye	1,004,677	
Total	13,746,810	10,662,790
The average number of employees at the end of the year was:		
Permanent employees – Management	3	3
Permanent employees – Unionisable	6	5
Temporary and contract employees	15	14
Total	24	22



6) PROPERTY, PLANT AND EQUIPMENT

2018	WSTF PROJECT (Kshs.)	FURNITURES & FITTINGS (Kshs.)	OFFICE EQUIPMENTS (Kshs.)	BUILDINGS (Kshs.)	COMPUTER & ACCESSORIES (Kshs.)	Total (Kshs.)
COST		12.50%	12.50%	2.5%	30%	
As at 1st July, 2017	48,868,854	552,870	266,304	74,585	840,540	50,603,153
Additions	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Disposals	(15,329,979)	0	0	0	0	(15,329,979)
At June 30, 2018	33,538,875	552,870	266,304	74,585	840,540	35,273,174
Accumulated depreciation						
As at 1st July, 2017	0	101,933	62,415	2,954	309,605	476,907
Charge for the year	0	56,367	25,486	1,791	159,281	322,552
At June 30, 2018	0	158,300	87,901	4,745	468,886	799,459
NET BOOK VALUE						
As at 30th Jun, 2017	48,868,854	450,937	203,889	71,631	530,935	50,126,246
As at 30th Jun, 2018	33,538,875	394,570	178,403	69,840	371,655	34,473,715
As at July 1 st 2018						
Additions	-	-	-	-	247,000	247,000
Transfers						
Disposals						
As at June 2019	33,538,875	394,570	178,403	69,840	618,655	
Accumulated depreciation						
As at 30 th Jun 2017		101,933	62,415	2,954	309,605	476,907
As at 30 th Jun 2018		56,367	25,486	1,791	159,281	242,925
As at 30 th Jun 2019		49,321	22,300	1,746	185,596	258,964
	33,538,875	207,621	110,201	6,491	654,482	34,517,671
NET BOOK VALUE						
As at 30 th Jun 2017	48,868,854	450,937	203,889	71,631	530,935	50,126,246
As at 30 th Jun 2018	33,538,875	394,570	178,403	69,840	371,655	34,473,715
As at 30 th Jun 2019	33,538,875	345,249	156,103	68,094	433,058	34,541,379



7) INTANGIBLE ASSETS

The billing software was to be amortised for three financial years. Financial year 2018/2019 was the last and final year for the system to be amortised thus the whole residual value was amortised.

	2019	2018
	Kshs	Kshs
COST		
At July 1 2018	158,911	384,625
Additions	0	0
Disposals	0	0
At June 30 2017	158,911	384,625
AMORTISATION		
At July 1 2018	225,714	147,445
Charge for the year	158,911	78,269
Disposals	0	0
Impairment loss	0	0
At June 30 2019	384,625	225,714
NET BOOK VALUE		
At June 30 2019	0	158,911

The said intangible asset in the company is the billing software

8) OPERATING PROFIT/(LOSS)

	2019	2018
	Kshs	Kshs
Sales/Turnover	27,210,466	24,471,758
In-Kind Contributions	4,103,340	3,280,640
Other Income	2,510,200	2,054,888
TOTAL REVENUES	33,824,006	29,807,286
The operating profit/(loss) is arrived at after charging/(crediting):		
Total admin cost	30,908,631	29,107,782
Depreciation of property, plant and equipment	258,964	322,552
Amortisation of intangible assets	158,911	78,269
Other Operating Expenses- Bank Charges	29,780	
TOTAL COST OF OPERATION	31,356,286	29,508,603
OPERATING PROFIT/(LOSS)	2,467,720	298,683

9) INVENTORIES

	2019	2018
	Kshs	Kshs
Engineering stores	3,425,045	1,934,226
Stationery and general stores	164,083	107,070
	3,589,128	2,041,296

10) a. TRADE AND OTHER RECEIVABLES

	2019	2018
	Kshs	Kshs
Trade receivables b/d	6,637,100.4	9,199,590
Provision for bad and doubtful receivable b/d	737,455.6	-
Total sales- billing for the Year	29,720,666	26,526,646
Received and adjustments	(29,209,790)	(28,351,680)
Gross trade and other receivables	7,885,432	7,374,556
Other: Provision for bad and doubtful receivable	(788,543)	(737,455.6)
Net trade and other receivables	7,189,340	6,637,100.4
Deposits and prepayments	102,000	102,000
Total trade and other receivables	7,291,340	6,739,100.4

Ol Kalou Water and Sanitation Company**Annual Reports and Financial Statements****For the year ended June 30, 2019****10 (b) TRADE RECEIVABLES- PROVISION**

	2019	2018
	Kshs	Kshs
Opening balance	6,637,100.4	-
Add :Provision for doubtful receivables b/d	737,455.6	-
Less :Gross trade receivables	7,885,432	7,374,556
Provision for doubtful receivables	(788,543.20)	(737,455.6)
Increase in Trade receivables	510,876	-
Increase in Provision for doubtful debts	51,087.60	-
	7,189,339.80	6,637,100.4
	=====	=====

10(c) Deposits & Pre-Payments

	2019	2018
Deposits & Pre Payments		
Fuels	80,000	80,000
KPLC	22,000	22,000
	102,000	102,000

11) (a) BANK AND CASH BALANCES

	2019	2018
	Kshs	Kshs
Cash at bank	1,903,354	2,478,705.6
Cash in hand	12,600	35,155
	1,915,954	2,513,860.6
	=====	=====

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



11 (b) Detailed analyses of the cash and cash equivalents

Financial institution	Account number	2019 KShs	2018 KShs
a) Current account			
Cooperative Bank of Kenya	01109467355000	2,010,738	1,173,191.33
Cooperative Bank of Kenya	01148467355000	(107,384)	436,114.95
Cooperative Bank of Kenya	01148467355001	0	25,222.15
Sub- total		1,903,354	1,634,528.43
Cash in hand		12,600	35,155
Sub- total		1,915,954	1,669,683.43
b) On - call deposits			
Cooperative Bank of Kenya	01109467355001	2,680,961	844,177.17
Sub- total		2,680,961	844,177.17
Grand total		4,596,915	2,513,860.6

12) ORDINARY SHARE CAPITAL

	2019 Kshs	2018 Kshs
Authorised:		
5000 ordinary shares of Kshs. 20 par value each	100,000	100,000
Issued and fully paid:		
5000 ordinary shares of Kshs.20 par value each	100,000	100,000

13) CAPITAL RESERVE

The capital reserve includes arrears/debtors inherited by the Company from the Ministry of Water and Irrigation amounting to Kshs. 1,768,431

14) CUSTOMER DEPOSITS

	2019	2018
Opening balance as at July 2018	2,356,040	1,380,851
Less :Deposits refunded	(299,500)	(297,500)
Add : Customer deposits	624,421	1,272,689
TOTAL	2,680,961	2,356,040

OI Kalou Water and Sanitation Company

Annual Reports and Financial Statements

For the year ended June 30, 2019

15) TRADE AND OTHER PAYABLES

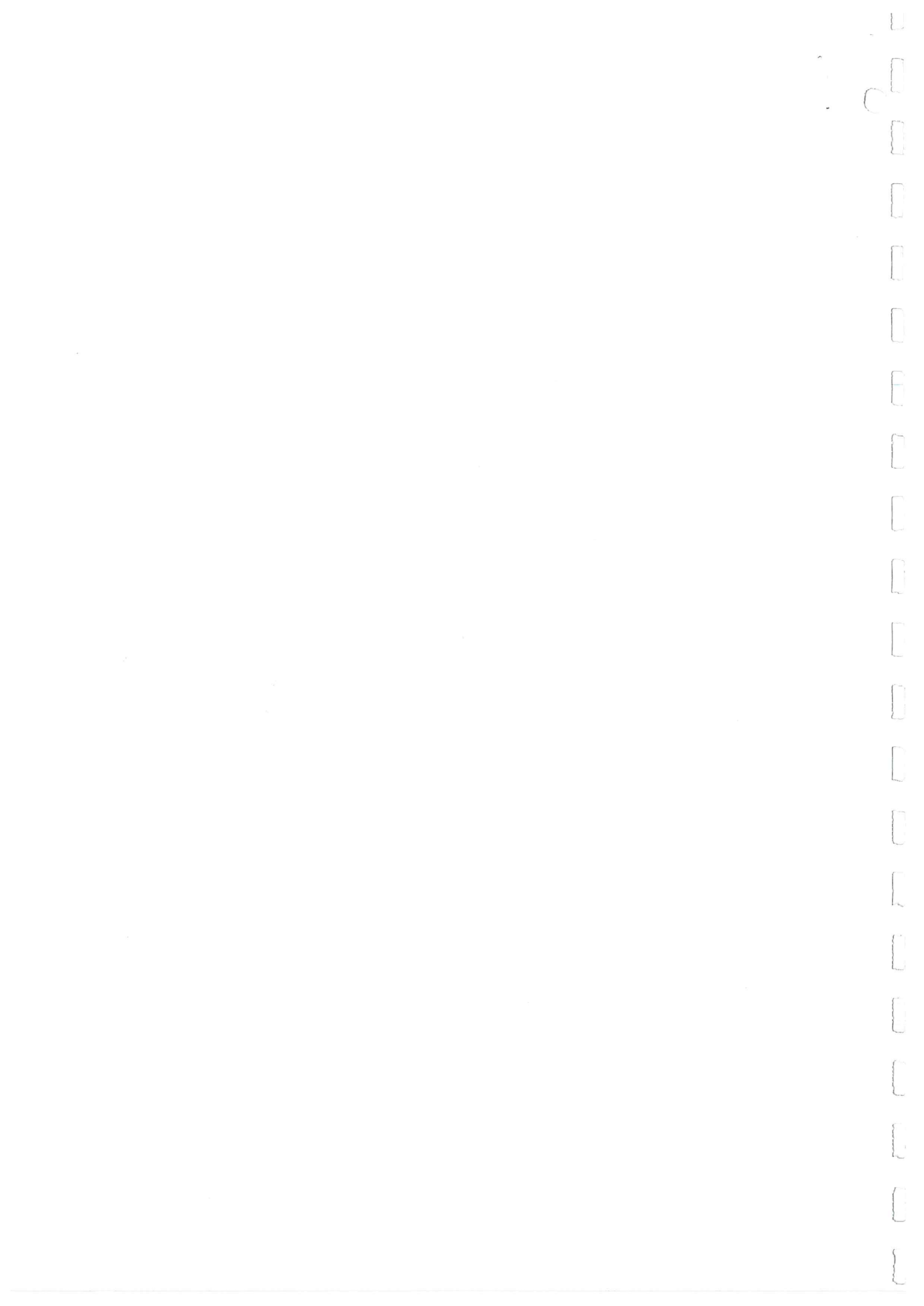
	2019	2018
	Kshs	Kshs
AS AT JULY 2018	21,803,094	22,959,435
Trade payables		
KENAO	348,000	348,000
RVWWDA	0	4,465,019
Payable to Household Project	0	0
WASREB	100,750	24,323
KPLC	0	23,812
CUSTOMER DEPOSITS	0	1,053,099
Deposit payable	0	(1,053,099)
BANK (paid)	(2,115,034)	(6,017,495)
REEDS	37,500	
NATIONAL OIL	26,539	
	20,200,849	21,803,094

16) 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:

	2019	2018
	Kshs	Kshs
Valuation at the beginning of the year	223,200	0
Changes in valuation during the year	220,522	167,400
Prior year adjustment	0	55,800
Valuation at end of the year	443,722	223,200

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.



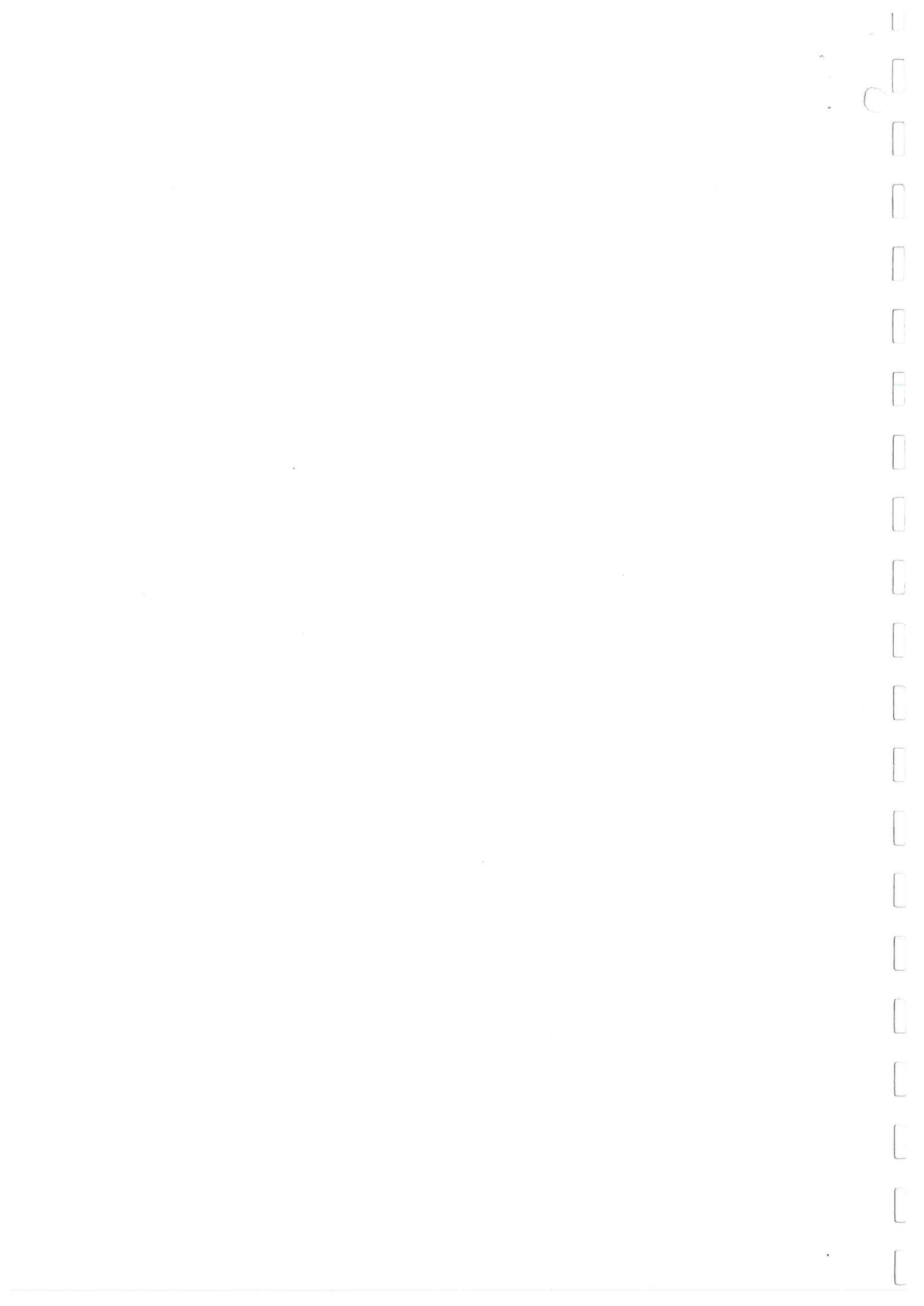
OI Kalou Water and Sanitation Company

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For the year ended June 30, 2019

17) NOTES TO THE STATEMENT OF CASH FLOWS

	2019	2018
	Kshs	Kshs
Operating profit/(loss)	2,467,720	298,683
Depreciation	258,964	322,552
Amortisation	158,911	78,269
Provision for bad debts	51,088	660,160
Operating profit/(loss) before working capital changes	2,936,683	1,359,664
(Increase)/decrease in inventories	(1,547,832)	(1,009,586)
(Increase)/decrease in trade and other receivables	(459,788)	2,485,195
Increase/(decrease) in trade and other payables	(1,475,478)	(1,156,342)
Increase/(decrease) in retirement benefit obligations	443,722	223,200
Increase in customer deposits account	1,836,748	975,189
Cash generated from/(used in) operations	(1,202,628)	1,517,656
Net cash used in operating activities	1,734,055	2,877,320
INVESTING ACTIVITIES		
Purchase of Property & Equipment	247,000	0
cash and cash equivalents		
Net increase/(decrease) in cash and cash equivalent	1,734,055	2,877,320
Balance at beginning of the year	2,615,860	(14,953,280)
Adjustment of Prior year investing activity	0	16,087,145
Adjustment of Prior year opening balance-	0	(1,395,325)
Balance at end of the year	4,596,915	2,615,860
Cash at bank	4,584,315	2,478,705.
Cash in hand	12,600	35,155
Deposit and prepayment	-	102,000
Balance at end of the year	4,596,915	2,615,860



18) RELATED PARTY DISCLOSURES

(a) County Government of Nyandarua

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

Transactions with related parties

The County Government of Nyandarua is under the same tariff as Residential, Domestic & Government institutions.

19) CONTINGENT 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.

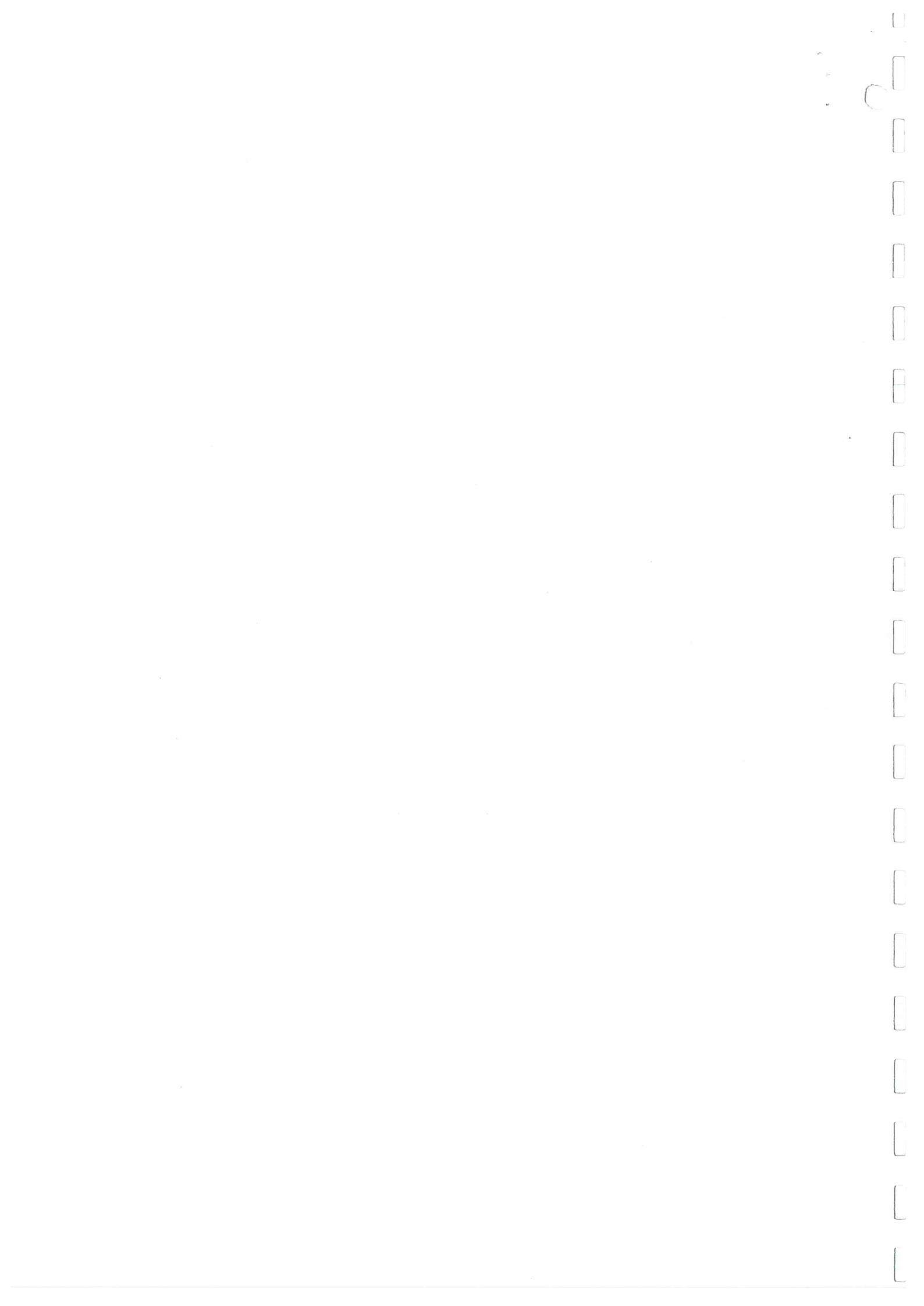
20) FINANCIAL RISK MANAGEMENT

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.

(a) 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.



Ol Kalou Water and Sanitation Company

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(b) 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

(c) Capital Risk Management

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

	2019	2018
	Kshs	Kshs
Grant	33,538,875	33,538,875
Retained earnings	(11,395,037)	(13,463,205)
Capital reserve	1,768,431	1,768,431
Total funds	23,912,269	21,844,101
Total borrowings	0	0
Less: cash and bank balances	(1,915,954)	(2,513,860.6)
Net debt/(excess cash and cash equivalents)	21,996,315	19,330,240

21) INCOPORATION

The Ol Kalou Water and Sanitation Company is incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya.

22) EVENTS AFTER THE REPORTING PERIOD

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

23) CURRENCY

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



OI Kalou Water and Sanitation Company

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For the year ended June 30, 2019

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3	Long Outstanding Trade Receivables	The board together with the management will be in a position to formulate a debt management policy that will of the essence in the collection of arrears, and stipulate the procedure for writing off unrecoverable ones	Board of Directors & Management	Not resolved	As soon as a new Board is appointed
Other 1	Late submission of the financial statements	Now that the company has an accountant, the financial statements for 2018/2019 was submitted on time.	Board of Directors & Management	Resolved	-
Other 2	Budget and budgetary control	The company had estimated an increase of sales with an approximate water sale of 2.75M per month plus other revenue for the other charges that was not realised due to shortfall of water levels at river Malewa. Consequently, this trickled to expenditure as water sale is the main source of income for the organization. The salaries for the seconded staff was not included in the budget as the company don not receive the money for them. Their salaries are paid from the county government directly to the staff's personal accounts	Board of Directors & Management	Resolved	
Basis 1	Procurement Exhauster Truck	The issue of the procurement of exhauster had been discussed by the previous board on numerous occasions with the main problems identified as being that the proper	Board of Directors & Management	Not resolved	As soon as a new Board is appointed

OI Kalou Water and Sanitation Company

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		procurement procedure was never followed and the company lacked the financial capacity to acquire the truck. With the constitution of a board, the management will urgently present this issue to ensure that the company with the help of the County Government come up with amicable solution to this issue.	ment																																																													
Basis 2	Unsupporte d cash payments	<p>The following are the expenditure incurred through cash withdraws. As shown below, out of Ksh. 5,164,424 withdrawn, Kshs 4,183,798 was on Allowances, Salaries in advance, and casual wages. The remaining Kshs. 980,626 was incurred on purchases of various types of items and services on the different categories of the expenditure group at different times during the 2017/2018 financial year. Attached are the coded schedules and support documents for these expenditures.</p> <table border="1"> <thead> <tr> <th colspan="2">ALLOWANCES & SALARY</th> <th>KSHS</th> </tr> </thead> <tbody> <tr> <td>SALARY AND ADVANCE</td> <td></td> <td>690,635.00</td> </tr> <tr> <td>NRW AND INCENTIVES</td> <td></td> <td>578,050.00</td> </tr> <tr> <td>TELEPHONE AND POSTAGE (AIRTIME ALLOWANCES)</td> <td></td> <td>80,500.00</td> </tr> <tr> <td>TRAVEL AND SUBSISTENCE</td> <td></td> <td>943,455.00</td> </tr> <tr> <td>CONTRACTED PROFESSIONALS</td> <td></td> <td>340,000.00</td> </tr> <tr> <td>CASUAL WAGES</td> <td></td> <td>401,408.00</td> </tr> <tr> <td>BOARD OF MNGT ALLOWANCES</td> <td></td> <td>734,000.00</td> </tr> <tr> <td>MEETING ALLOWANCES</td> <td></td> <td>142,250.00</td> </tr> <tr> <td>TRAINING</td> <td></td> <td>13,500.00</td> </tr> <tr> <td>ANNUAL STAFF WELFARE</td> <td></td> <td>260,000.00</td> </tr> <tr> <td></td> <td></td> <td><u>4,183,798.</u></td> </tr> <tr> <th colspan="2">PURCHASE OF GOODS AND SERVICES</th> <th>KSHS</th> </tr> <tr> <td>TELEPHONE AND POSTAGE</td> <td></td> <td>49,430.00</td> </tr> <tr> <td>MOTOR VEHICLE FUEL</td> <td></td> <td>283,841.00</td> </tr> <tr> <td>MOTOR VEHICLE REPAIR AND MAINTENANCE</td> <td></td> <td>101,800.00</td> </tr> <tr> <td>PRINTING AND STATIONERIES</td> <td></td> <td>9,470.00</td> </tr> <tr> <td>ENTERTAINMANET & OFFICE TEA</td> <td></td> <td>107,459.00</td> </tr> <tr> <td>COMPUTER AND ACCESSORIES</td> <td></td> <td>12,900.00</td> </tr> <tr> <td>TRAINING</td> <td></td> <td>12,000.00</td> </tr> </tbody> </table>	ALLOWANCES & SALARY		KSHS	SALARY AND ADVANCE		690,635.00	NRW AND INCENTIVES		578,050.00	TELEPHONE AND POSTAGE (AIRTIME ALLOWANCES)		80,500.00	TRAVEL AND SUBSISTENCE		943,455.00	CONTRACTED PROFESSIONALS		340,000.00	CASUAL WAGES		401,408.00	BOARD OF MNGT ALLOWANCES		734,000.00	MEETING ALLOWANCES		142,250.00	TRAINING		13,500.00	ANNUAL STAFF WELFARE		260,000.00			<u>4,183,798.</u>	PURCHASE OF GOODS AND SERVICES		KSHS	TELEPHONE AND POSTAGE		49,430.00	MOTOR VEHICLE FUEL		283,841.00	MOTOR VEHICLE REPAIR AND MAINTENANCE		101,800.00	PRINTING AND STATIONERIES		9,470.00	ENTERTAINMANET & OFFICE TEA		107,459.00	COMPUTER AND ACCESSORIES		12,900.00	TRAINING		12,000.00	Manage ment	Resolve d
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OI Kalou Water and Sanitation Company

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For the year ended June 30, 2019

		FURNITURE AND FITTINGS	2,800.00			
		TOOLS AND EQUIPMENT	3,905.00			
		NEWSPAPER AND PERIODICALS	14,280.00			
		STAFF UNIFORM	1,250.00			
		GENERATOR EXPENSE	28,550.00			
		GENERAL OFFICE EXPENSES	115,752.00			
		BUILDING REPAIR AND MAINTENANCE	49,228.00			
		OPERATION AND MAINTENANCE / P&E	186,161.00			
		CHEMICALS	1,800.00			
			980,626.00			
Basis 3	Unconfirmed customer water deposits Withdrawals	No such transactions as per the deposit account bank statement		Management	Resolved	



OI Kalou Water and Sanitation Company

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For the year ended June 30, 2019

Basis 1	Water production and sales	The company's water production is affected by the climatic change as the water levels in river Malewa have been decreasing. For the past two years during		Management	Resolved	
		WATER PRODUCTION 2017/2018				
			Audit schedule presented			Operation chart
		Jul-17	26,790			26,790
		Aug-17	30,300			30,300
		Sep-17	27,170			27,170
		Oct-17	31,870			31,870
		Nov-17	30,870			30,870
		Dec-17	34,810			34,810
		Jan-18	30,476			30,476
		Feb-18	33,840			33,840
		Mar-18	30,360			30,360
		Apr-18	28,586			28,586
		May-18	35,100			35,100
		Jun-18	38,790			38,790
		TOTAL	378,962			378,962
		<p>the dry season, there is a rationing programme where we receive water from the river for only 4 days per week for 12hours pay day. This has greatly reduced our water production levels Kindly note that from the attached records the water production from operation chart section 3 balances with that on the schedule provided for audit.</p> <p>Non-Revenue water As per the audited report for FY 201-2017, the non-revenue water level stood at 48%. During the financial year (2017/2018), we have been able to reduce it to 34% by mainly rehabilitating the depilated water pipelines, replacing faulty customer water meters,</p>				

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Oi Kalou Water and Sanitation Company

Annual Reports and Financial Statements

For the year ended June 30, 2019

		intensifying line patrol, and crackdown on illegal connections. We intend to continue 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.			
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Managing Director



Member-Board of Directors

Date.....11/12/2019.....





OLKALOU WATER AND SANITATION COMPANY LIMITED

TRIAL BALANCE

FOR THE YEAR ENDED 30TH JUNE 2019

	KSHS	KSHS
	DEBIT	CREDIT
Sales		27,210,466
Other Incomes		6,613,540
Staff Costs	13,746,811	
Travel and subsistence	725,350	
Printing & Stationeries	196,285	
Advertising and publicity	285,360	
Telephone and postage	336,830	
staff training	54,425	
Directors Emoluments	378,000	
WARMA	155,848	
WASREB	808,209	
WASPA	55,000	
Upper Malewa Levy	60,000	
Staff rewards/Non Revenue Water	259,300	
Office expenses	113,680	
Office Tea and general supplies	151,371	

OL KALOU WATER & SANITATION
COMPANY LIMITED
P. O. Box 455 - 20303
OL KALOU



Uniform and soaps	546,700
Software expenses	268,980
Repairs - computers	275,400
Operation & maintenance (Piping extensions)	4,976,039
Water meter supply	2,400,500
Motor vehicle expenses (maintenance & Repair)	418,330
Maintenance building	51,567
Electricity	2,071,188
Professional fees- audit fees	348,000
Insurances, Licences & Permits	40,750
Meeting expenses	103,500
Other expenses (Chemicals, tools, & furniture repair)	189,420
Newspapers and periodicals	15,450
Contracted professionals	715,804
Provision for bad debt	788,543
Motor vehicle fuel	371,991
Property, plant and equipment	34,541,379
Inventories	3,589,128
Trade and other receivables	7,189,340
Bank and cash balances - current accounts	1,915,954
Bank - customer deposit account	2,680,961

Amortisation of Intangible	158,911	
Depreciation	258,964	
Finance cost	29,780	
Ordinary share capital		100,000
Capital Reserve		1,768,431
Retained Earning		(11,395,037)
WSTF grant		33,538,875
Customer Deposit		2,680,961
Trade and other payables		20,200,849
Retirement benefit obligation		443,722
GRAND TOTAL	81,161,806	81,161,806

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