

REPUBLIC OF KENYA

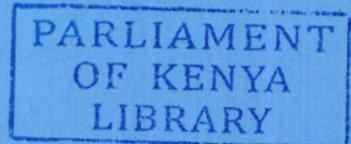


Enhancing Accountability

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REPORT

OF



THE AUDITOR-GENERAL

ON

**GARISSA WATER AND SEWERAGE
COMPANY LIMITED**

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

OFFICE OF THE
COMPTROLLER
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GARISSA WATER AND SEWERAGE COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

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I. Key Entity Information

Background information

Garissa Water and Sewerage Company Limited was established by the companies Act (CAP 486) and the Water Act 2002 on 6th July 2004. At cabinet level, Garissa Water and Sewerage Company Limited is represented by the Cabinet Secretary for water and irrigation, who is responsible for the general policy and strategic direction of the *entity*. The *entity* is domiciled in Kenya.

Principal Activities

The principal activity/mission of Garissa Water and Sewerage Company is to improve quality of life through the provision of potable water services in an environmentally and commercially sustainable way to the satisfaction of our stakeholders.

Directors

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

Name	Position	Date Appointed
1. Mr. Mohamed Dahir Weirah	Chairman	1 st March 2019
2. Mr. Yussuf A. Barre	Managing Director	1 st August 2021
3. Mrs. Fatuma A. Bathi	Member	1 st March 2019
4. Mrs. Amina M. Magan	Member	1 st March 2019
5. Mrs. Fatuma A. Muhumed	Member	1 st March 2019
6. Mr. Yunis Y. Ibrahim	Member	1 st March 2019
7. Mr. Ahmed A. Noor	Member	County Representative
8. Mr. Robert G. Ndirangu	Member	NWWDA Representative
9. Mr. Aden H. Mohamed	Member	1 st March 2019
10. Mr. Mohamed Issack	Member	County Representative

Corporate Headquarters

Registered Office
Along Lamu Road opposite Garissa Law Courts
P.O. Box 1088-70100
Garissa, KENYA

Corporate Contacts

Telephone: (254) 703688688

E-mail: garissawater@yahoo.com/ info@gawasco.co.ke

Website: www.gawasco.co.ke

Corporate Banker

1. First Community Bank
Garissa Branch
P.O. Box 642
Garissa, Kenya

2. Equity Bank
Garissa Branch
P.O. Box 700-70100
Garissa, Kenya

3. Kenya Commercial Bank
Garissa Branch
P.O. Box 143-70100
Garissa, Kenya





Independent Auditors


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

Principal Legal Advisers


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

II. The Board of Directors

REF	DIRECTORS	DETAILS
1.		<p>Chairman: Mr. Mohamed Dahir Weyrah</p>
2.		<p>Vice Chair: Ms Naima Abdinasir Salat</p>
3.		<p>Member: Mr. Osman Mohamed Barkatle</p>
4.		<p>Member: Ms. Jane Akoth Okalo</p>

5.	 A black and white portrait of a man wearing a white traditional cap and a white shirt with a dark bow tie.	Member: Mr. Ismail Daud
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III. Management Team

	Managing Director
	Technical Services Manager
	Finance & Administration Manager

IV. Chairman's Statement

Dear shareholders,

I am pleased to present the annual report and financial statement for the year ended 30th June 2022. The Company has had numerous challenges in the past years that resulted from, notwithstanding, the covid-19 pandemic, taking into its continued operation, saw a significant improvement in the provision of water and sewer services in this haven, In the year.

Water sector

Following the enactment of the Water Act of 2002 which called for a series of reform measures to address weaknesses in the sector, Garissa Water and Sewerage Company has contributed to the achievement of these reforms by providing quality services of water and sanitation in a commercialized manner and also increasing community participation in the management of water resources and provision of water supplies within. With devolution, Garissa Water and Sewerage Company Ltd., County Government's role in water provision cannot be overemphasized. The company is reviewing its memorandum and articles of association to incorporate the County and its environs.

Overview

The external environment had its challenges this year under review. Due to fluctuations in the economy, our maintenance and operating costs increased due to price changes and salary adjustments. Poor infrastructure in the supply areas was a major cause of high maintenance cost as the vehicles and motorcycles kept breaking down often. Also, water tariffs are reviewed by the government and reviewed after some time, when the rate of inflation keeps on rising every year, this never made it easy to generate enough revenue to match the increased cost of operation. All these have forced the company to employ a high degree of efficiency in managing our resources to minimize costs. As mentioned earlier, the impact of fluctuations in the operating environment never made our operations easy but there was a slight decrease in the company's income as compared to the previous year. Also noted is the increased power bills and chemical cost which initially was being financed by the National Government but later left to the Company, this consumed the Company's reserve hence more funds should be availed to cater for assets renewal and meet creditors obligation as and when they fall due.

Challenges

Human Resources

Our employees are the most valued asset and the Company is continuing to assess its staffing requirements. Customer care, Unaccounted for Water, Water quality monitoring and evaluation and billing system remain major challenges to our staff. Through capacity building, staffs are being trained to ensure that all these challenges are overcome. Also, our staffs are being motivated in various ways for higher performance. To increase efficiency and accuracy in billing and to meet customer expectation, the company in consultation with our regulator has sourced for billing software and SMS system of bill query and delivery and payment through M-Pesa service by our customers hence increased efficiency of operations.

Non-revenue Water

Non-Revenue water remains a thorn in the flesh to the company. Aged and corroded pipes, vandalism, high pressure, illegal connection, meter tempering by customers and flat rate contribute majorly to the above. Due to its adverse effect on our revenue, the Company is doing 100% metering, enforcing fully the penalties issued by WASREB to reduce the commercial losses and the establishment of the Non-Revenue Water Committee with its TOR and budget line that is expected to identify and implement the strategies for the Non-revenue Water reduction.

This measure has reduced the level of unaccounted for water at 70% to 33% in the year under review. The company has also a budget line dedicated to non-Revenue water management.

Future Outlook

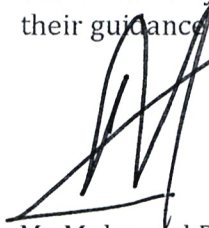
Due to the evidenced challenges in the economy and especially in the water sector, we must ensure that we evaluate and review our strategies constantly for us to achieve our mission statement and also to shorten our response time to the started challenges. It is also worth noting that GAWASCO will continue to focus on maintaining the excellent quality of our services and delivery standards to meet our customer needs. We shall endeavour to develop, strengthen and sustain the trust that the stakeholders, employees and the public have placed in us and also put greater emphasis on a more robust technological system, competent human resource as well as build strategic partnership with our stakeholders. The Company is also partnering with various donors to finance and to facilitate the implementation of its capital investments. The County Government of Garissa is a major stakeholder in the Company hence the need for a close working relationship for improved efficiency and operation effectiveness of the Company as it pursues its main objectives.

Appreciation

I would like to take this opportunity to record my gratitude to my fellow board members for the support and valuable contribution to the Company and the commitment they showed. I would also like to thank the Managing Director and staff of GAWASCO for the performance achieved in the last year and the progress made in executing the company's growth strategy. I remain confident that we have the skills and resources necessary to manage the significant opportunities and challenges that lie ahead. I thank my colleagues on the board for their sound guidance and support during the eventful year.

We extend our gratitude to our consumers too for their continued support and our shareholders whose confidence has sanctioned important strategic developments.

I also sincerely thank the regulatory authority Water Services Regulatory Board for their guidance and continued support.



Mr Mohamed Dahir Weirah
Chairman

V. Report of the Managing Director

General overview

During the year under review; 2021/22, strategies aimed at securing adequate water supply, expanding water access to the residents, improving the quality of supply and service to our customers, as well as financial performance took the centre stage of our operations.

Company performance

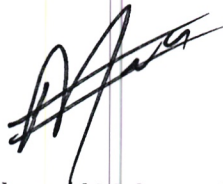
The Company's performance has continued to improve despite the many challenges facing it. The performance has been slowed by the continued use of water and sewerage tariffs which are not cost recovering and therefore investment in expansion and rehabilitation of the infrastructure has been affected.

We wish to thank the County Government for its assistance in the payment of our electricity bills.

There was a slight increase in income as compared to last year.

Human resource

The Company's human resource has continued to be a valuable asset in achieving business objectives, targets, customer satisfaction and stakeholder expectations. Consequently, the Company's work ethics are founded on team-work, staff empowerment, innovation, professionalism, equal opportunity and integrity.



Mohamed Mohamud Dolal
Ag. Managing Director

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

During the year under review; 2021/2022, the revenue increased as well as the expenditure. However,

water and sanitation infrastructure are a key priority for the Company to meet her vision. The existing infrastructure is in dire need for rehabilitation. To achieve coverage targets, new infrastructure will be developed especially focusing on underserved areas and ensuring water sufficiency and sewerage network coverage. Financial sustainability is critical for the Company in ensuring continued service delivery. This will require the Company to mobilize sufficient external and internal resources to fund its recurrent and investment budgets. It will develop and implement strategies to ensure it can meet its operational costs in line with the sector benchmarks and attain commercial viability. These strategic pillars are as follows:

Pillar 1: Increase access to clean and safe drinking water and sanitation services

Pillar 2: Improve financial and operational sustainability

Pillar 3: Enhance customer focus and experience

Pillar 4: Strengthen organizational structures and operational processes

Pillar 5: Strengthen people and communication systems

The Company develops its annual work plans based on the above 5 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets set for the FY 2021/2022 period for its 5 strategic pillars as indicated below:

Strategic Pillar	Objective	Key Performance indicators	Activities	Achievements
Pillar 1:	Increase access to clean and safe drinking water and sanitation services	<ul style="list-style-type: none"> Coverage of the Service Area 	<ul style="list-style-type: none"> Increase water coverage from 64% in year 2021 to 65% coverage by 2023. Increase sewerage coverage from 40% to 50% coverage by 2023. Increase water production volume from 10,000m³ /day to 20,000m³ /day. 	<ul style="list-style-type: none"> water coverage is currently at 65% Sewer coverage is currently at 45% Water production volume is currently at 16,000m³ /day

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Pillar 2:	Improve financial and operational sustainability	<ul style="list-style-type: none"> • Water Service Coverage • Collection Efficiency • Hours of Supply • Unit Operation Cost 	<ul style="list-style-type: none"> • Increase O&M cost coverage from 50%-year 2021 to 120% by 2023. • Improve collection efficiency from 54%-year 2021 to 95% by 2023. • Increase revenue collection from Kshs 10million-year 2021 to Kshs 25 million per month by 2023. • Increase billing efficiency from 60%-year 2019 to 100% by 2023. • Reduce NRW from 42%-year 2019 to 25% by 2023. 	<ul style="list-style-type: none"> • O&M cost coverage is currently at 62% • collection efficiency is currently at 33% • revenue collection is currently at 10 million • billing efficiency is currently at 63% • NRW is currently at 39%
Pillar 3:	Enhance customer focus and experience	<ul style="list-style-type: none"> • Metering Ratio • Water Affordability • Unaccounted for Water • Hours of Supply 	<ul style="list-style-type: none"> • Increase customer satisfaction level from 65%-year 2019 to 95% by 2023. • Achieve WHO and KEBs water and waste water standard. • Increases hours of supply from 22 hours year 2021 to 23-hour year 2023s • Develop and implement consumer engagement strategies. 	<ul style="list-style-type: none"> • The Company is in the process of acquiring a new tariff that is pro poor and customer friendly.
Pillar 4:	Strengthen organizational structures and operational processes		<ul style="list-style-type: none"> • Develop workplace policies and standard operations manuals. • Asset development. • Improve work environment safety and health. • Digitization of Human Resource processes. • Improve on regulatory compliance. 	<ul style="list-style-type: none"> • The Company, with the help of the World Bank is in the process of acquiring a new software under the world bank Utility Turnaround Framework (UTF) programme.

			<ul style="list-style-type: none"> • Adopt continues improvement practices. • Improve corporate governance. 	
Pillar 5:	Strengthen people and communication systems		<ul style="list-style-type: none"> • Embark on continuous training of staff and development plan. • Establish performance management plan. • Develop and implement a communication policy. • Foster innovation. • Attract and retain talent. • Increase employee satisfaction level. 	<ul style="list-style-type: none"> • The Company, with the help of the World Bank is in the process of acquiring a new software under the world bank Utility Turnaround Framework (UTF) programme.

VII. Corporate Governance Statement

Corporate governance is critical to the success or failure of any organisation. In this regard, Garissa Water and Sewerage Company is committed to the values and principles of good corporate governance as an integral part of the corporate culture established at the company and guides how the directors, management and staff conduct the business of the organisation. As a public sector organisation dedicated to providing quality service to its stakeholders, the company's decisions are guided by the core tenets prescribed in the Public Officers Ethics Act, Internal Codes of Conduct and Corporate Governance guidelines, as well as the Board Charters and its committees. The company also has in place a robust zero-tolerance corruption prevention programme. The company thus reiterates its commitment to the principles of sound corporate governance and to fulfilling its commitments as outlined in these documents and its Performance Contract with the Northern Water Works Agency. The company endeavours to develop, strengthen and sustain the trust that the stakeholders, employees and the public have placed in it. Accordingly, the Board and its committees regularly evaluate the latest national and international standards in responsible, transparent and efficient management with a view of enhancing corporate governance at the company and consistently delivering on our statutory mandates.

VIII. Management Discussion and Analysis

During the year under review; 2021/22, the company recorded a turnover of Kshs. 671,639,187 and had a total cost of Kshs.548,464,588 resulting to a surplus of Kshs. 123,174,599. This included Garissa County Government Grant of Kshs 30,000,000, various projects income of Kshs. 265,633,261 and project expenditure of Kshs. 274,400,390. This project did not belong to us, we were the implementing agency.

However, these results were impacted by high cost of electricity and fuel, chemicals and staff costs. The Company also recorded low collection efficiency due to lack of customers willingness to pay resulting to accumulation of pending bills.

Moving forward, the Company needs to tackle the above issues by;

- Reviewing the current tariff
- Looking for alternative power sources e.g., solar power
- Increasing the collection efficiency and billing through metering.

IX. Environmental And Sustainability Reporting

Garissa Water and Sewerage Company Limited (GAWASCO) has realized that safe drinking water and improved sanitation are important pre-conditions for achieving development for our people. Also, the new constitution recognizes access to adequate water, a clean environment and sanitation in the bills of rights. We are therefore no longer looking at environmental conservation merely as a way of achieving the MDG's, but more towards achieving the constitutional rights of our citizens. Hence, interventions that protect the environment and water resources are crucial in our operations.

It is also appreciated that GAWASCO operates within social, economic and environmental dynamics that greatly influences management decisions and actions on her day-to-day operations. In this regard, the Corporate Strategic Plan is driven by GAWASCO's internal capabilities, exploitation of existing opportunities and management of her weaknesses, while controlling risks to the scheduled programmes and activities.

Environmental management and corporate social responsibility activities are considered among the functions that GAWASCO emphasizes to meet the local and international best practices as desired in the vision and mission statements. The strategic goal for the current GAWASCO Strategic Plan concerning social and environmental concerns calls for sustainable management of activities for the benefit of local communities and other stakeholders. Key CSR strategic objectives, therefore, include specific outputs and outcomes upon which the performance on CSR will be judged.

GAWASCO's strategic goals are as follows;

- 1. Build harmonious relationships with the local communities.** This will ensure that the company avoids conflicts that could be a hindrance to the successful implementation of the CSR plans.
- 2. The Capacity Building for staff on Corporate Social Responsibility (CSR) issues.** Employees are empowered through training and sensitization on basic concepts and the importance of CSR to the company for them to be able to assist the company drive all the CSR objectives.
- 3. Formulate an effective communication strategy.** Communication is the heart of the success of CSR. It is the vehicle through which the impact of CSR is realized.
- 4. Decentralize CSR activities to the various departments.** Some level of autonomy in the execution of the plan will not only ensure the relevance of the CSR initiatives to the intended beneficiaries but will also contribute to the monitoring and evaluation of the intended impact within the communities.
- 5. Establish strategic partnerships on CSR.** This represents best practices and exposes the company to other horizons through the utilization of synergies with such partnerships – "Unity is Strength."

6. **Develop environmental conservation strategies.** Conservation of the environment is the way forward for self-respecting institutions. Since the company deals with other state corporations, government institutions and agencies and also the private sector, it has a direct interest in environmental conservation.



Board Chairman
GAWASCO

X. Report Of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of Garissa Water and sewerage Company Limited's affairs.

Principal activities

The principal activity/mission of Garissa Water and Sewerage Company is to improve quality of life through the provision of potable water services in an environmentally and commercially sustainable way to the satisfaction of our stakeholders.

Results

The results of Garissa Water and sewerage Company Limited for the year ended June 30, 2022, are set out from pages 23 to 26.

Auditors

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

By Order of the Board



Mohamed Dahir Weirah

XI. Statement Of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations

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

The Directors are responsible for the preparation and presentation of Garissa Water and sewerage Company Limited's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2022. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of Garissa Water and sewerage Company Limited.
- (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 Garissa Water and Sewerage Company Limited
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for Garissa Water and sewerage Company Limited's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors believe that Garissa Water and sewerage Company Limited's financial statements give a true and fair view of the state of the company's transactions during the financial year ended June 30, 2022, and of its financial position as at that date. The Directors further confirm the completeness of the accounting records maintained by 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.

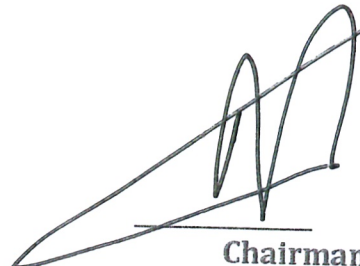
Nothing has come to the attention of the Directors to indicate that Garissa Water and sewerage Company Limited will not remain a going concern for at least the next twelve months from the date of this statement.

Garissa Water and Sewerage Company Limited
Annual Reports and Financial Statements For the year ended June 30, 2022

Approval of the financial statements

Garissa Water and sewerage Company Limited's financial statements were approved by the Board on 30/09/ 2022 and signed on its behalf by:

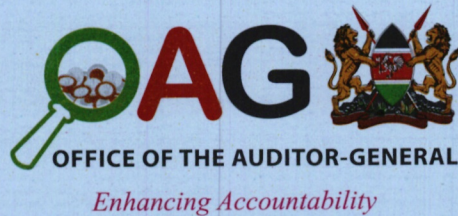


Ag. Managing Director

Chairman of the Board

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 GARISSA WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals, whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the Company has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the Company.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Garissa Water and Sewerage Company Limited set out on pages 1 to 26, which comprise of the statement of financial Position as at 30 June, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows, 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 to the best of my knowledge and belief were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Garissa Water and Sewerage Company Limited as at 30 June, 2022 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (Accrual Basis) and do not comply with the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Revenue

1.1 Failure to Bill All Customers

The statement of profit or loss and other comprehensive income as disclosed in Note 4 to the financial statements reflects income from operations of Kshs.376,005,926. Included in the amount is Kshs.375,513,526 for water sales. However, review of the income records revealed that the number of customers served by the Company were 18,126, out of which only 2,128 (or 12%) are metered. Water billing was made to only 11,565 customers leaving 6561 customers not billed and hence loss of revenue.

In addition, the Company has been using expired water tariffs approved on 14 May, 2010 and expected to have been reviewed on June, 2012 for further adjustment as per Gazette Notice No.5321, Vol. CXII – No.49, page 1724. Further, the Company disclosed water sales of Kshs.375,513,526 but collected Kshs.124,570,559 or 33%. The Management is not able to maximize on cash collections, a situation likely to affect the liquidity of the Company.

In the circumstances, the accuracy and completeness of water sales balance of Kshs.375,513,526 could not be confirmed.

2. Unsupported Trade Receivables

The statement of financial position and Note 12 to the financial statements reflects trade and other receivables balance of Kshs.836,964,197. However, the Company did not maintain an updated receivables' ledger that would show balance brought forward, amount accrued during the year, payments received and balance carried forward. Further, the Company did not provide age analysis of the receivables that would disclose what amounts are owed and for how long.

In the circumstances, the accuracy and completeness of trade and other receivables balance of Kshs.836,964,197 could not be confirmed.

3. Cash and Cash Equivalents

The statement of financial position and Note 12 to the financial statements reflects cash and cash equivalent balance of Kshs.1,488,439. However, the statement of cash flows

as at 30 June, 2022 reflects cash and cash equivalent balance of Kshs.96,751,935 resulting to a variance of Kshs.95,263,496 which was not reconciled or explained.

Further, the statement of cash flows reflects bank overdraft in investing activities of Kshs.39,506,079. However, the Management did not provide Board approval minutes and agreement from the Commercial banks to utilize overdraft facilities contrary to Section 28(4) of the Public Finance Management Act, 2012 which states that an Accounting Officer for a National Government entity shall not cause a bank account of the entity to be overdrawn beyond the limit authorized by the National Treasury or a Board of a National Government entity.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.1,488,439 could not be confirmed and the Management was also in contravention of the law.

4. Unreconciled Personnel Costs

The statement of profit or loss and other comprehensive income as disclosed in Note 5 to the financial statements reflects staff costs balance of Kshs.88,599,149. However, review of payroll and ledgers and schedules revealed an expenditure of Kshs.79,405,472 and Kshs.88,432,349 resulting to a variance of Kshs.9,193,677 and Kshs.166,800 respectively.

In the circumstances, the accuracy and completeness of personnel cost balance of Kshs.88,599,149 could not be confirmed.

5. Unrecorded Meter Deposits

The statement of financial position and as disclosed in Note 14 to the financial statements reflects trade and other payable balance of Kshs.227,271,703. Included in the amount is Kshs.nil balance for meter deposits. However, review of income ledgers revealed that customers paid unknown amount of meter deposits during water connections. The Management did not maintain a separate bank account for customer deposits and relevant register. Further, the Management did not account for the customer deposits as payable but income against best accounting practices.

In the circumstances, the disclosure and completeness of customer deposits could not be confirmed.

6. Unsupported Finance Costs

The statement of profit or loss and other comprehensive income as disclosed in Note 9 to the financial statements reflects finance costs balance of Kshs.1,077,633. However, the expenditure was not supported with ledgers.

In the circumstances, the accuracy and completeness of finance costs balance of Kshs.1,077,633 could not be confirmed.

7. Trade and Other Payable

The statement of financial position and Note 14 to the financial statements reflects trade and other payables balance of Kshs.227,271,703. However, the Management has not

disclosed accrued audit fees amounting to Kshs.3,975,552 as at 30 June, 2022 thereby understating the trade and other payables balance.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.277,271,703 could not be confirmed.

8. Unsupported Prior Year Adjustments

The statement of changes in net assets reflects unexplained and unsupported prior year adjustment of Kshs.10,175,013.

In the circumstances, the accuracy of the financial statements could not be confirmed.

9. Unsupported Security Services

The statement of profit or loss and other comprehensive income reflects operating expenditure balance of Kshs.95,634,119 as disclosed in Note 8 to the financial statements. Included in the amount is Kshs.1,590,560 for security whose contractual agreement between the Company and the Security Company and quotations for procurement of services were not provided for audit review.

In the circumstances, the accuracy and regularity of the expenditure could not be confirmed.

10. Payments Made Using Petty Cash

The statement of profit or loss and other comprehensive income reflects operating expenditure balance of Kshs.95,634,119 as disclosed in Note 8 to the financial statements. Included in the amount is Kshs.44,250,347 for operation and maintenance. However, petty cash for Kshs.14,256,230 was used to purchase items such as fittings and consumables, fuel and lubricants and pay casual laborers. In addition, the Management engaged casual workers who were paid petty cash despite the Company having fifty-three (53) casual employees. Further, daily attendance sheets for the casuals engaged for more than a day were not maintained.

In the circumstances, the accuracy and regularity of Kshs.14,256,230 could not be confirmed.

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

1. Budgetary Control and Performance

During the year under review, the Board approved a budget of Kshs.328,251,049 on 21 June, 2021 which was five (5) months after the required time contrary to Regulation 205(1) of the Public Finance Management (County Governments) Regulations, 2015. In addition, the County Executive Committee Member responsible for Water did not approve the budget and/or submitted it to the County Treasury for approval. Further, the Management over spent on personnel costs, administrative expenses, finance costs and capital expenditure.

In the circumstances, the over spending impacts negatively on the implementation of other programs of the Company.

2. Unresolved Prior Year Matters

Prior year audit issues remained unresolved as at 30 June, 2022. Management has not provided reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues are not disclosed under the progress on follow-up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Revenue Water

Water abstraction records revealed that the quantity of water produced during the financial year 2021/2022 was 4,151,902 cubic meters and the quantity of water billed for consumption was 2,770,041 cubic meters, resulting to water sales valued at Kshs.375,513,526 as reported in Note 4 to the financial statements. The difference of

water quantity amounting to 1,777,810 cubic meters, which translates to approximately 39% of water produced was neither billed nor accounted for. The 39% is above the recommended rate by 14% whose estimated loss of water sales is Kshs.235,048,503.

In the circumstances, the Management was in breach of the law.

2. Irregularities in Procurement of Chemicals

The statement of profit or loss and other comprehensive income reflects the operating expenditure balance of Kshs.95,634,119 which, as disclosed in Note 8 to the financial statements, includes an amount of Kshs.8,540,850 for the purchase of chemicals. However, the Management did not appoint Ad Hoc Opening and Evaluation Committees for the procurement of the chemicals. In addition, professional opinion was not issued on the procurement of the chemicals contrary to Regulation 91(4) of the Public Procurement and Asset Disposal Regulations, 2020.

Further, the Management did not fairly and equitably distribute the procurement of chemicals to all the pre-qualified suppliers as one supplier was awarded and paid 85% of total expenditure on chemicals during the year under review.

In the circumstances, the regularity of the procurement of chemicals could not be confirmed.

3. Non-Remittance of Statutory Deductions

3.1 Non-Remittance of Pay As You Earn Deductions

The statement of financial position reflects trade and other payables balance of Kshs.227,271,703 as disclosed in Note 14 to the financial statements. Included in the amount is Kshs.25,539,175 for Pay As You Earn. However, review of payroll and ledgers revealed deductions amounting to Kshs.8,393,833 during the year, resulting to a cumulative amount of Kshs.25,539,175 not remitted to the Kenya Revenue Authority contrary to Income Tax Act, Cap 470.

In the circumstances, the Company was in breach of the law.

3.2 Non-Remittance of National Social Security Fund and National Hospital Insurance Fund Dues

The trade and other payables balance of Kshs.227,271,703 also includes amounts of Kshs.401,600 and Kshs.1,067,150 due to the National Social Security Fund and National Hospital Insurance Fund respectively. However, review of payroll and ledgers revealed annual deductions of Kshs.270,400 and Kshs.1,111,000 for the National Social Security Fund and the National Hospital Insurance Fund respectively. The resultant variances were not explained and Management has not provided reasons for failure to remit the deducted amounts to the respective Funds.

In the circumstances, the regularity of the statutory deductions could not be confirmed.

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, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that, internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Non-Establishment of Internal Audit Committee

During the year under review, the Company operated without an Audit committee contrary to Section 155(5) of the Public Finance Management Act, 2012 which states that the entity shall establish an internal audit committee.

In the circumstances, the Management may override the internal controls.

2. Lack of Fixed Asset Register

The statement of financial position reflects property, plant and equipment balance of Kshs.236,361,178 as at 30 June, 2022. However, assets related to Work-In-Progress (WIP) were not included in the total value of assets and the assets were not supported by assets register. In addition, the assets were not tagged for easier identification.

In the circumstances, there is weak internal controls in the Management of the Company's assets.

3. Weak Information Technology (IT) Internal Controls

The Company does not have reliable Information Communication Technology (ICT) controls and an IT department despite operating Information Technology (IT) enabled environment like billing software. The Company does not have approved policies on Information Technology security including disaster recovery plan and IT continuity plan, consequently the critical data/information may not be recovered in case a disaster occurs. In addition, the company does not have IT strategic or steering committees which could result in non-implementation of IT governance, as part of enterprise governance. Further, there were no fire suppression systems therefore the information may be lost in case of a fire outbreak.

In the circumstances, there is weak internal controls in the management of the Company's IT environment.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were

operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 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 not been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are not 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 (IFRS) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions

of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 Company's policies and procedures may deteriorate.

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material

uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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


CPA Nancy Gathungu, SBS
AUDITOR-GENERAL

Nairobi

08 June, 2023

I.Statement Of Profit or Loss & Other Comprehensive Income for The Year Ended 30 June 2022.

	Note	2021-2022 Kshs	2020-2021 Kshs
INCOME			
Income from operations	4	376,005,926	303,621,811
Other income	4	295,633,261	226,972,125
TOTAL		671,639,187	530,593,936
EXPENDITURE			
Staff Costs	5	88,599,149	87,958,956
Board Expenses	6	742,000	1,380,000
Administrative Expenses	7	48,156,224	41,462,420
Operating Expenditure	8	95,634,119	129,124,432
Finance Cost	9	1,077,633	1,258,395
Audit Fees	10	233,856	233,856
Depreciation Expenses	11	43,354,085	52,161,730
Project Costs	19	274,400,390	196,635,159
TOTAL		552,197,455	510,214,948
Profit before Taxation		119,441,731	20,378,988
Income Tax Expense		-	-
Profit After Taxation		119,441,731	20,378,988

II. Statement Of Financial Position As at 30 June 2022

	Note	2021-2022 Kshs	2020-2021 Kshs
ASSETS			
Non-Current Assets			
Property and Equipment	11	236,361,178	278,856,296
Total Non-Current Assets		236,361,178	278,856,296
Current Assets			
Trade and Other Receivables	12	836,964,197	638,350,620
Cash and Cash Equivalents	13	1,488,439	(10,417,431)
Total Current Assets		838,452,636	627,933,189
TOTAL ASSETS		1,074,813,814	906,789,485
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	16	100,000	100,000
Capital fund	17	31,758,485	31,758,485
Revenue Reserve	18	776,177,547	666,910,229
Total Capital and Reserves		808,036,032	698,768,714
Current Liabilities			
Trade and Other payables	14	227,271,703	208,020,771
Bank overdraft	15	39,506,079	-
Total Current Liabilities		266,777,782	208,020,771
TOTAL EQUITY AND LIABILITIES		1,074,813,814	906,789,485

The financial statements on pages 23-26 were approved for issue by the board of directors on

the 30th day of SEPTEMBER 2022

.....
 Managing Director

.....
 Chairman of the Board

III. Statement Of Changes in Equity for The Year Ended 30 June 2022

	Share capital Kshs	Revenue reserve Kshs	Capital Fund Kshs	Total Kshs
1st July 2020				
As stated	100,000	646,531,241	31,758,485	678,389,726
Prior year adjustments (wstf)	-	-	-	-
Adjusted Net Surplus for the year	-	20,379,588	-	20,379,588
At 30th June 2021	100,000	666,910,829	31,758,485	698,769,314
Prior year adjustments		(10,175,013)		
1st July 2021				
As stated	100,000	656,735,816	31,758,485	688,594,301
Prior year adjustments (wstf)	-	-	-	-
Adjusted Net Surplus for the year	-	119,441,731	-	119,441,731
				-
At 30th June 2022	100,000	776,177,547	31,758,485	808,036,032

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IV. Statement Of Cash Flows for The Year Ended 30 June 2022

		Kshs 2022	Kshs 2021
<u>Cashflow from operating activities</u>	Note		
Surplus for the year		119,441,731	20,378,988
Prior year adjustments	18(b)	10,175,013	
Add back:			
Depreciation	11	43,354,085	52,161,730
		172,970,829	72,540,718
Adjustment for working capital:			
Decrease/Increase in Trade and other Receivables	12	-198,613,577	168,038,846
Increase/Decrease in Trade and other Payables	14	19,250,932	-30,730,323
Net cash generated from operating activities		-179,362,645	137,308,523
<u>Cashflow from investing activities</u>			
Purchase of Property, Plant & Equipment	11	-858,967	-161,122,246
Net cash utilised in investing activities		-858,967	-161,122,246
<u>Cashflow from financing activities</u>			
Bank Overdraft		39,506,079	-
Net cash generated from financing activities		39,506,079	-
Net(decrease)/ increase in cash and cash equivalent		32,255,296	48,726,995
Cash and Cash Equivalent as at 1.7. 2021		64,496,639	15,769,644

Garissa Water and Sewerage Company Limited
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**Cash and Cash Equivalent as
at 30.6. 2022**

96,751,935

64,496,639

Garissa Water and Sewerage Company Limited

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V. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2022

	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference
	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022
REVENUE	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Income from operations	226,931,049	-	226,931,049	375,513,526	-148,582,477
Other income from operations	1,320,000	-	1,320,000	492,400	827,600
Other income	100,000,000	-	100,000,000	295,633,261	-195,633,261
Total Income	328,251,049	-	328,251,049	671,639,187	-343,388,138
					-
EXPENDITURE					-
Personnel Cost	82,487,196	-	82,487,196	88,599,149	-6,111,953
Directors Emoluments	2,064,000	-	2,064,000	742,000	1,322,000
Administrative Expenses	9,565,455	-	9,565,455	48,156,224	-38,590,769
Operating Expenditure	177,587,200	-	177,587,200	95,634,119	81,953,081
Finance Cost	85,200	-	85,200	1,077,633	-992,433
Audit Fees	233,856	-	233,856	233,856	-
Depreciation Expenses	-	-	-	43,354,085	-43,354,085
Project Costs	-	-	-	274,400,390	-274,400,390
Total Expenditure	272,022,907	-	272,022,907	552,197,455	-280,174,548
Profit or Loss	56,228,142	-	56,228,142	119,441,731	-63,213,589
Capital Expenditure					
Capital expenditure	92,801,221	-	92,801,221	858,967	91,942,254
		-	-		

Garissa Water and Sewerage Company Limited
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Total Expenditure	364,824,128	-	364,824,128	364,824,128	
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VI. Notes To the Financial Statements

1. General information, Statement of compliance and basis of preparation

Garissa Water and Sewerage Company Ltd is established by and derives its authority and accountability from the companies Act (CAP 486) and the Water Act 2002. The entity is a Semi-autonomous Government Agency, devolved under the County Government of Garissa and is domiciled in Kenya. The principal activity of Garissa Water and Sewerage Company is to improve quality of life through the provision of potable water services in an environmentally and commercially sustainable way to the satisfaction of our stakeholders.

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

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 entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Financial Reporting Standards (IFRS) accrual basis. The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the company. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on the accrual basis.

2. Summary of significant accounting policies

a) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to Garissa Water and Sewerage Company Ltd 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 Garissa Water and Sewerage Company Ltd.'s activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of Garissa Water and Sewerage Company Ltd.'s activities as described below.

- i) Revenue from the sale of services** is recognised in the year in which Garissa Water and Sewerage Company Ltd delivers products to the customer, the customer has accepted the service and collectability of the related receivables is reasonably assured.

ii) **Grants from National and County Government** are recognised in the year in which Garissa Water and Sewerage Company Ltd actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

iii) **Other income** is recognised as it accrues.

b) 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.

c) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement. Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

➤ ***Contingent liabilities***

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

➤ ***Contingent assets***

The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or

more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

d) Nature and purpose of reserves

The company maintains a revenue reserve account. This is used for future purchase of capital equipment and any emergencies that may arise from time to time.

e) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

f) Employee benefits

➤ **Retirement benefit plans**

The company operates a defined contribution scheme for all full-time employees from July 1, 2011. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. 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 12% of the employee's salary (6% being contributed by the employee while the other 6% is paid by the employer per month).

The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

➤ **Provision for staff leave pay**

Employees' entitlements to annual leave are recognised as they accrue at the employees. A provision is made for the estimated liability for annual leave at the reporting date.

g) Cash and cash equivalents

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

h) Significant judgments and sources of estimation uncertainty

➤ **Estimates and assumptions**

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

➤ **Useful lives and residual values**

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

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

➤ **Depreciation**

Depreciation is calculated on the reducing balance basis to allocate the cost or the revalued amount to their residual values over estimated useful lives as follows;

• Land and Buildings	2%
• Furniture and Fittings	12.5%
• Equipment and Facilities	12.5%
• Motor Vehicles	20%
• Computers	33%
• New Pipeline Extensions	10%
• Boreholes	10%

➤ **Disposal of property and equipment**

Gains and losses on disposal of property and equipment are determined by reference to the carrying amounts and are recognized in the income statement in the year in which they arise.

i) Trade and other payables

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

j) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

k) Comparative figures

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

l) Subsequent events

There have been no events subsequent to the financial year-end with a significant impact on the financial statements for the year ended June 30, 2022..

3. In-kind contributions

In-kind contributions are donations that are made to the Company in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the 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

Garissa Water and Sewerage Company Limited
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	2021-2022 AMOUNT Kshs	2020-2021 AMOUNT Kshs
NOTE 4		
Income		
Water sales during the year	375,513,526	302,510,127
Other income from operations	492,400	1,111,684
Sub-Total	376,005,926	303,621,811
Other Income		
WSTF - GGEP Harajab Water Project	-	13,055,173
WSTF - GGEP Libahlow Water Project	-	10,977,863
WSTF - GGEP Shebta-aad Water Project	-	12,574,477
Grant-in Aid (GOK)	-	-
County Government of Garissa	30,000,000	4,000,000
World Bank WSDP Project	228,000,000	161,533,119
WSTF - UBSUP Project	8,257,781	-
WSTF - Conditional Liquidity Scheme Grant (CLSG)	21,455,480	24,831,493
Hulugho Reverse Osmosis Project	7,920,000	-
Sub-Total	295,633,261	226,972,125
Total	671,639,187	530,593,936
NOTE 5		
Staff costs		
Salaries, Wages & Statutory deductions	88,432,349	87,927,456
Training and workshop	166,800	31,500
Staff Uniform	-	-
Sub-Total	88,599,149	87,958,956
NOTE 6		
Board Expenses		
Honoraria	480,000	960,000
Directors Allowance	262,000	420,000
Sub-Total	742,000	1,380,000

NOTE 7

Administrative Expenses

Travelling and Accommodation	1,288,555	3,232,300
Stationery and Printing	513,470	823,738
Professional and Legal Services	-	-
Postal /telephone/courier serv.	985,260	1,611,571
Insurance (motor Vehicle& Bikes)	-	-
Electricity-Administration	403,723	345,962
Promotion and Advertisement	747,760	387,828
Staff Welfare and Utility	1,730,780	2,161,100
WASCA Sports	-	-
WASPA	105,000	320,933
Corporate Social Responsibility	-	-
Provision for bad and doubtful debts	41,834,884	32,272,196
Rent & Rates	540,000	300,000
National Land Commission Fees	6,792	6,792
Sub-Total	48,156,224	41,462,420

NOTE 8

Operating Expenditure

Operation and Maintenance	44,250,347	30,933,772
Electricity	18,050,119	70,499,909
Transport operations and maintenance	13,500,886	4,051,329
Maintenance of plant, Equipment & Structures	6,653,636	13,941,777
Security Services	1,590,560	1,537,514
Chemicals	8,540,850	4,789,000
NWSB	-	-
Municipal Levy	-	-
WASREB	1,247,720	1,521,131
WARMA	1,800,000	1,850,000
Sub-Total	95,634,119	129,124,432

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NOTE 9

Finance Cost

Bank charges	1,077,633	1,258,395
Sub-Total	1,077,633	1,258,395

NOTE 10

Provision for audit fees

Provision for the year 2020-2021	233,856	233,856
Sub-Total	233,856	233,856

NOTE 12

Trade and other Receivables

Trade Debtors	836,697,682	638,138,780
Share receivable imprest	100,000 -	100,000 -
Prepayment	166,515	111,840
Sub-Total	836,964,197	638,350,620

For the year 2021-2022, a general provision of 5% has been made

NOTE 13

Cash and cash Equivalent

Revenue Accounts - FCB (2976982901)	755,049	1,138,644
Development Account - KCB (1107767741)	-	6,051,617
Reserve Account - equity (058029748463)	69,132	-
General Account - FCB (2976982903)	-	-28,544,213
Reserve Account - FCB (2976982902)	-	-
Cash in Hand	-	-
Cash in M-pesa (880600)	3,600	293,502
Post Bank Account (0744130011397)	47,400	333,461
Bulla Noor Project	2,039	2,039
Drought Emergency Project	993	993

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WSTF - GGEP Harajab Water Project	13	144,493
WSTF - GGEP Libahlow Water Project	405	1,829,385
WSTF - GGEP Shebt-aad Water Project	76,252	8,262,035
WSTF - UBSUP Project	516,895	51,025
WSDP Account - Equity	10,862	4,435
WSTF CLSG Account - Equity	5,800	15,152
WSTF Hulugho Reverse Osmosis Project	-	-
Sub-Total	1,488,439	-10,417,431

NOTE 14**Trade and other Payable**

Trade Creditors	84,371,040	104,456,657
Provision for Audit fees	233,856	233,856
PAYE	25,539,175	30,136,409
NITA	204,850	70,900
NSSF	401,600	68,400
NHIF	1,067,150	117,150
HELB	3,655	3,655
Salaries Accrued	30,115,428	3,646,859
KUWASE	1,928,864	1,459,430
Equity Bank Check-off	1,350,057	275,933
Co-op Bank Check-off	582,395	136,048
Platinum Credit Check-off	2,295,615	345,699
Pension Contribution Accrued	34,720,353	26,182,801
WASREB Accrued	12,157,168	10,936,477
WARMA Accrued	12,565,000	10,215,000
NWSB Accrued	12,008,574	12,008,574
Municipal Levy Accrued	7,726,923	7,726,923
Meter Deposits	-	-
Sub-Total	227,271,703	208,020,771

NOTE 15

General Account	-36,520,949	-
Reserve Account	-662,905	-

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Development Account	-2,322,225	
Bank overdraft	-39,506,079	-

NOTE 16

Share Capital

Authorised 5000@kshs 20 each	100,000	100,000
Issued 5000@kshs 20 each		
Share Capital not paid	100,000	100,000

NOTE 17

Capital Fund

Capital is represented by the value of Non-Current Assets and Current Liabilities of the beginning of the year 2006 as started below

Fixed Assets	11,969,799	11,969,799
Inherited Debtors	21,351,302	21,351,302
Inherited Creditors	-1,562,616	-1,562,616
Total	31,758,485	31,758,485

NOTE 18

Revenue reserves

Balance at beginning of year	656,735,816	646,531,241
Net surplus for the year	119,441,731	20,378,988
Balance at end of year	776,177,547	666,910,229

NOTE 18(b)

Prior year adjustments (Revenue reserves)

The prior year adjustment of Kshs. 10,175,013 relates to an adjustment to correct the debtors' figure that was overstated in the previous year.

NOTE 19

**HARAJAB WATER &
 SANITATION PROJECT**

Project Launch	25,000.00	
Community awareness creation	50,000.00	
Project Design	8,763.00	-
Environmental Impact Assessment		-
Advertisement		-
Borehole Drilling		273,910
Borehole hybrid equipping & protection works		4,066,203
50M ³ Elevated Steel Tank on 10M Tower		1,870,064
3100m Rising main & Distribution pipeline		853,069
Solar system control room		83,103
2No. In-situ Water kiosks with 5,000 litres storage tank		789,919
Borehole fencing compound with concrete posts		2,027,691
2 No. livestock trough		580,216
2No. 2 door VIP Latrines		557,851
Branding & Sign posts		104,976
Project Administration		-
Project supervision, Monitoring and Contract Management	60,717	1,156,600
10% Contingency		1,020,000
Sub-total	144,480	13,383,601

**LIBAHLOW WATER &
SANITATION PROJECT**

Project Design		-
Environmental Impact Assessment		-
Advertisement		-
Borehole Drilling		360,850
Borehole hybrid equipping & protection works	1,136,423	-
50M ³ Elevated Steel Tank on 10M Tower	590,577	696,780
3100m Rising main & Distribution pipeline		3,915,321
Solar system control room		194,960
2No. Water kiosks with 5,000 litres storage tank		394,543
3 No. livestock trough		3,039,964
Branding & Signposts		130,950
Project Administration		-
Project supervision, Monitoring and Contract Management	101,980	429,338
Sub-total	1,828,980	9,162,706

SHEBTA-AAD WATER & SANITATION PROJECT

Project Design		44,210
Environmental Impact Assessment		-
Advertisement		-
Borehole Drilling		1,073,790
Borehole hybrid equipping	574,496	1,040,417
50M ³ Elevated Steel Tank on 10M Tower	4,500,000	
Rising main & Distribution pipeline	1,583,288	
Solar system control room		470,682
2No. Water kiosks with 5,000 litres storage tank	365,753.44	
1no. Yard tap	163,495.87	
2 No. livestock trough	997,770.56	
3No. 2 door VIP Latrines		730,857
Project Commissioning		87,300
Project Administration		-
O&M tools & Equipment		-
Project supervision, Monitoring and Contract Management	980	889,350
Sub-total	8,185,783	4,336,606
WSDP PROJECT		
Domestic travel and subsistence	5,515,700	2,951,650
Foreign travel & subsistence	-	-
printing & advertising	871,706	39,300
Hospitality supplies & services	120,000	438,000
Civil works	175,427,361	96,551,580
Office consumables	-	-
Security	-	-
Procurement of vehicles	-	52,099,470
Procurement of Plastic tanks	2,284,511	-
Vehicle maintenance	1,952,656	496,134
Insurance costs	10,080	2,746,192
Bank charges	-	10,450

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Office equipment	-	-
Office furniture	41,811,560	-
Others	-	10,944,000
Sub-total	227,993,573	166,276,776
UBSUP PROJECT		
Personnel (Social Animators)		402,600
Project Administration	146,659	309,130
Social Marketing Package		-
Training of DTF Operators		31,000
UBSUP Office Equipment		-
Subsidies	7,690,252	2,340,000
DTF-50 Infrastructure		392,740
Sub - Total	7,836,911	3,475,470
WSTF CLSG PROJECT		
Personnel costs	1,050,322	
Levies and fees		
Administration		
Electricity	8,000,000	
Maintenance	4,705,700	
Direct opex (excluding electricity and chemicals)	7,015,000	
Chemicals	690,000	
Board of Directors		
Others	3,810	
Sub - Total	21,464,832	-
Hulugho Reverse Osmosis Project		
Preliminary, Supervision, security and accompanying measures	402,110	
Installation of 2m ³ /hr Reverse osmosis Water Treatment Plant at Hulugho Girls Secondary School, including solar system	5,217,600	
Construction of elevated plastic of 10m ³ (2N ^o) at 15 meters high	1,326,120	
Sub - Total	6,945,830	
Total Project Costs	274,400,390	196,635,159

NOTE 11

Cost or Valuation:	Land and Buildings	Computers	Equipment	Furniture and Fittings	Motor Vehicles and Bikes	Pipeline Extensions	Boreholes	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 01/07/2021	681,729	1,526,533	87,588,967	1,676,906	128,328,736	16,691,502	42,361,923	278,856,296
								-
Additions:	-	-	658,967	200,000	-	-	-	858,967
								-
Disposals	-	-	-	-	-	-	-	-
								-
Total as at 30/06/2022	681,729	1,526,533	88,247,934	1,876,906	128,328,736	16,691,502	42,361,923	279,715,263
Net Book Value:								
As at 30th June 2021	681,729	1,526,533	87,588,967	1,676,906	128,328,736	16,691,502	42,361,923	278,856,296
Additions	-	-	658,967	200,000	-	-	-	858,967
As at 30th June 2022 Before depreciation	681,729	1,526,533	88,247,934	1,876,906	128,328,736	16,691,502	42,361,923	279,715,263
DEPRECIATION:	2%	33%	12.50%	12.50%	20%	10%	10%	
As at 01/07/2021	104,815	4,926,006	59,114,147	2,395,095	70,202,089	14,629,357	10,976,259	162,347,768

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Charge for the Year	13,635	503,756	11,030,992	234,613	25,665,747	1,669,150	4,236,192	43,354,085
Total Depreciation	118,449	5,429,762	70,145,139	2,629,708	95,867,836	16,298,507	15,212,451	205,701,853
Net Book Value:								
As at 30th June 2021	681,729	1,526,533	87,588,967	1,676,906	128,328,736	16,691,502	42,361,923	278,856,296
As at 30th June 2022	668,095	1,022,777	77,216,942	1,642,293	102,662,988	15,022,352	38,125,731	236,361,178

Appendix II: Projects Implemented by The Company

Project Title	Project Number	Donor	Period/Duration	Separate Donor Reporting (Yes/No)	Consolidated in this Financial Statements (Yes/No)
HARAJAB WATER & SANITATION PROJECT	RUP/1/W&S/GARISSA/GAWASCO/HARAJAB/1	WSTF	6 MONTHS	YES	YES
LIBAHLLOW WATER & SANITATION PROJECT	RUP/1/W&S/GARISSA/GAWASCO/LIBAHLLOW/2	WSTF	6 MONTHS	YES	YES
SHEBTA-AAD WATER & SANITATION PROJECT	RUP/1/W&S/GARISSA/GAWASCO/SHEBTA-AAD/3	WSTF	6 MONTHS	YES	YES
WSDP PROJECT	IDA CREDIT NO:60290/60300	WORLD BANK	4YRS	YES	YES
UBSUP PROJECT	02HS/NWWDA/GARISSA/058	WSTF	6 MONTHS	YES	YES
CLSG PROJECT		WSTF	6 MONTHS	YES	YES
HULUGHO REVERSE OSMOSIS PROJECT	RIP/1/W/GARISSA/HULUGHO/1	WSTF	6 MONTHS	YES	YES

Status of Projects completion

No.	Project	Total Project Cost	Total Expended to date	Completion % to date	Budget	Actual	Sources of funds
	HARAJAB WATER & SANITATION PROJECT	19,258,438	19,258,425	100%	19,258,438		WSTF
	LIBAHLOW WATER & SANITATION PROJECT	23,036,034	23,035,629	100%	23,036,034		WSTF
	SHEBTA-AAD WATER & SANITATION PROJECT	19,115,465	19,039,213	100%	19,115,465		WSTF
	WSDP PROJECT	135,046,320		0%	135,046,320		WORLD BANK
	UBSUP PROJECT	17,214,223	11,637,611	68%	17,214,223		WSTF
	CLSG PROJECT	21,455,480	21,449,680	100%	24,831,493		WSTF
	HULUGHO REVERSE OSMOSIS PROJECT	13,200,000	6,945,710	53%	13,200,000		WSTF