

REPUBLIC OF KENYA

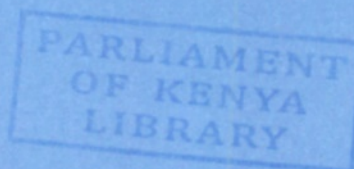


Enhancing Accountability

REPORT

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OF



THE AUDITOR-GENERAL

ON

**GARISSA WATER AND SEWERAGE
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2023**



GARISSA WATER AND SEWERAGE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

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1. Acronyms and Glossary of Terms

ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
MD	Managing Director
PFM	Public Financial Management
PSASB	Public Sector Accounting Standards Board
WASREB	Water Services Regulatory Board

2. 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 the 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 Garissa Water and Sewerage Company Limited. The Garissa Water and Sewerage Company Limited 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 Weyrah	Chairman	1 st February 2022
2. Ms Naima Abdinasir Salat	Vice Chair	1 st February 2022
3. Mr. Osman Mohamed Barkatle	Member	1 st February 2022
4. Ms. Jane Akoth Okalo	Member	1 st February 2022
5. Mr. Ismail Daud	Member	1 st February 2022

Company Secretary

Mr. Gikuhi Kiana and Co
P.O. Box 1271-10100
Nyeri

Corporate Headquarters

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

Corporate Contacts

Telephone: (254) 703688688
E-mail: garissawater@yahoo.com/ info@gawasco.co.ke

Corporate Bankers

Premier Bank
Garissa Branch
P.O. Box 642
Garissa, Kenya

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

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






Independent Auditor


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

Principal Legal Advisers




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

3. 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.		<p>Member: Mr. Ismail Daud</p>

6.	 A black and white portrait of a man with a shaved head, wearing a light-colored, possibly white, button-down shirt. He is looking directly at the camera with a neutral expression. The background is slightly out of focus, showing some architectural elements.	<p>Board Secretary: Mr Mohamed Mohamud Dolal</p>
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4. Key Management Team

 A black and white portrait of a man with a shaved head, wearing a white button-down shirt, looking directly at the camera.	<p>Managing Director MBA (Public Administration & Management)</p>
 A black and white portrait of a man with short hair and a goatee, wearing a white button-down shirt, looking directly at the camera.	<p>Technical Services Manager BSC Water and Environment</p>
 A black and white portrait of a man with a beard and short hair, wearing a plaid button-down shirt, looking directly at the camera.	<p>Finance & Administration Manager Bachelor of Commerce</p>

5. 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., the 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 costs as the vehicles and motorcycles kept breaking down often. Also, water tariffs are reviewed by the government and after some time, the rate of inflation keeps on rising every year, and 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, staff are being trained to ensure that all these challenges are overcome. Also, our staff are being motivated in various ways for higher performance. To increase efficiency and accuracy in billing and to meet customer expectations, the company in consultation with our regulator has sourced billing software and an SMS system of bill query and delivery and payment through M-Pesa service by our customers hence increasing the efficiency of operations.

Non-revenue Water

Non-revenue water remains a thorn in the flesh of the company. Aged and corroded pipes, vandalism, high pressure, illegal connection, meter tempering by customers and flat rates 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 from 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's 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, and competent human resources as well as build strategic partnerships with our stakeholders. The Company is also partnering with various donors to finance and 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 their 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 to 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 Weyrah
Chairman

6. Report Of the Managing Director

General overview

During the year under review; 2022/23, 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 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 resources has continued to be a valuable asset in achieving business objectives, targets, and customer satisfaction and stakeholder expectations. Consequently, the Company's work ethics are founded on teamwork, staff empowerment, innovation, professionalism, equal opportunity and integrity.



Mohamed Mohamud Dolal
Managing Director

7.Statement Of Performance Against Predetermined Objectives for FY 2023

During the year under review;2022/2023, the revenue increased as well as the expenditure. However, water and sanitation infrastructure are a key priority for the Company to meet its vision. The existing infrastructure is in dire need of 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 every quarter. The Company achieved its performance targets set for the FY 2022/2023 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 the 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 10 million in 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 standards. • Increases hours of supply from 22 hours year 2021 to 23-hour years in 2023 • 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. 	<ul style="list-style-type: none"> • The Company, with the help of the World Bank, is in the process of acquiring new software under

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			<ul style="list-style-type: none"> • Improve work environment safety and health. • Digitization of Human Resource processes. • Improve on regulatory compliance. • Adopt continues improvement practices. • Improve corporate governance. 	<p>the World Bank Utility Turnaround Framework (UTF) programme.</p>
Pillar 5:	Strengthen people and communication systems		<ul style="list-style-type: none"> • Embark on continuous training of staff and development plan. • Establish a 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 new software under the world bank Utility Turnaround Framework (UTF) programme.

8. 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 organization. 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 to enhance corporate governance at the company and consistently deliver on our statutory mandates.