

REPUBLIC OF KENYA

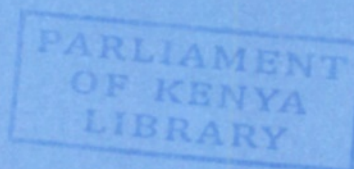


*Enhancing Accountability*

## REPORT

PAPERS LAID	
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OF



**THE AUDITOR-GENERAL**

ON

**GARISSA WATER AND SEWERAGE  
COMPANY LIMITED**

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





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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 <sup>st</sup> February 2022
2. Ms Naima Abdinasir Salat	Vice Chair	1 <sup>st</sup> February 2022
3. Mr. Osman Mohamed Barkatle	Member	1 <sup>st</sup> February 2022
4. Ms. Jane Akoth Okalo	Member	1 <sup>st</sup> February 2022
5. Mr. Ismail Daud	Member	1 <sup>st</sup> 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><b>Chairman:</b> Mr. Mohamed Dahir Weyrah</p>
2.		<p><b>Vice Chair:</b> Ms Naima Abdinasir Salat</p>
3.		<p><b>Member:</b> Mr. Osman Mohamed Barkatle</p>
4.		<p><b>Member:</b> Ms. Jane Akoth Okalo</p>
5.		<p><b>Member:</b> 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.	Board Secretary: Mr Mohamed Mohamud Dolal
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4. Key Management Team

	<p>Managing Director MBA (Public Administration &amp; Management)</p>
	<p>Technical Services Manager BSC Water and Environment</p>
	<p>Finance &amp; 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"> <li>Coverage of the Service Area</li> </ul>	<ul style="list-style-type: none"> <li>Increase water coverage from 64% in the year 2021 to 65% coverage by 2023.</li> <li>Increase sewerage coverage from 40% to 50% coverage by 2023.</li> <li>Increase water production volume from 10,000m<sup>3</sup> /day to 20,000m<sup>3</sup> /day.</li> </ul>	<ul style="list-style-type: none"> <li>water coverage is currently at 65%</li> <li>Sewer coverage is currently at 45%</li> <li>Water production volume is currently at 16,000m<sup>3</sup> /day</li> </ul>

**Garissa Water and Sewerage Company Ltd.**

**Annual Report and Financial Statements for the year ended June 30, 2023**

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

Garissa Water and Sewerage Company Ltd.

Annual Report and Financial Statements for the year ended June 30, 2023

			<ul style="list-style-type: none"> <li>• Improve work environment safety and health.</li> <li>• Digitization of Human Resource processes.</li> <li>• Improve on regulatory compliance.</li> <li>• Adopt continues improvement practices.</li> <li>• Improve corporate governance.</li> </ul>	<p>the World Bank Utility Turnaround Framework (UTF) programme.</p>
Pillar 5:	Strengthen people and communication systems		<ul style="list-style-type: none"> <li>• Embark on continuous training of staff and development plan.</li> <li>• Establish a performance management plan.</li> <li>• Develop and implement a communication policy.</li> <li>• Foster innovation.</li> <li>• Attract and retain talent.</li> <li>• Increase employee satisfaction level.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>



## **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.

## **9. Management Discussion and Analysis**

During the year under review; 2022/23, the company recorded a turnover of Kshs. 799,236,210 and had a total cost of Kshs. 741,492,313 resulting in a surplus of Kshs. 57,743,897. This included a Garissa County Government Grant of Kshs 38,330,958 and various projects income of Kshs. 459,884,726 and project expenditure of Kshs. 457,070,285. This project did not belong to us, we were the implementing agency.

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

## 10. 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 MDGs, 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 influence 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 of 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 in driving 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,

**Garissa Water and Sewerage Company Ltd.**

**Annual Report and Financial Statements for the year ended June 30, 2023**

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government institutions and agencies and also the private sector, it has a direct interest in environmental conservation.



**Board Chairman  
GAWASCO**

**11. Report Of the Directors**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of Garissa Water and Sewerage Company Limited's affairs.

**Principal activities**

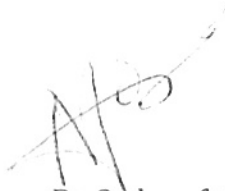
The principal activity/mission of Garissa Water and Sewerage Company is to improve quality of life through the provision of potable water services in an environmentally and commercially sustainable way to the satisfaction of our stakeholders.

**Results**

The results of Garissa Water and Sewerage Company Limited for the year ended June 30, 2023, are set out on pages 24 to 25.

**Auditors**

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



By Order of the Board  
Mohamed Dahir Weyrah

## **12. 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 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 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 of the end of the financial year ended on June 30, 2022. This responsibility includes:

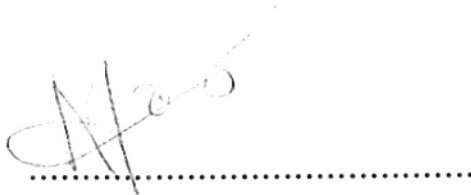
- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of Garissa Water and Sewerage Company 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 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 that ended June 30, 2023, and of its financial position as of 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.

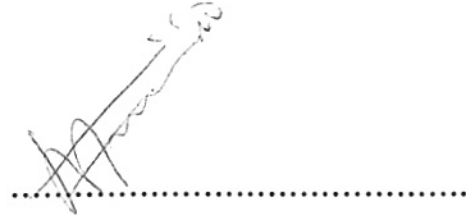
Nothing has come to the attention of the Directors to indicate that Garissa Water and Sewerage Company Limited will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

Garissa Water and Sewerage Company Limited's financial statements were approved by the Board on 18.9.23 2023 and signed on its behalf by:



**Mohamed Dahir Weyrah**  
**Chairperson of the Board**



**Mohamed Mohamud Dolal**  
**Managing Director**

# REPUBLIC OF KENYA

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Anniversary Towers  
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P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON GARISSA WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023**

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### **PREAMBLE**

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals, 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 45, which comprise of the statement of financial



position as at 30 June, 2023 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations 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, 2023 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and do not comply with the Water Act, 2016 and the Public Finance Management Act, 2012.

## **Basis for Adverse Opinion**

### **1.0 Revenue**

#### **1.1 Failure to Bill all Customers**

The statement of profit or loss and other comprehensive income reflects operating revenue amount of Kshs.301,060,526 in respect of water sales and as disclosed in Note 6 to the financial statements. However, review of the income records revealed that the number of customers served by the Company were 18,126, out of which only 7,927 or 44% are metered. Water billing was done to only 2,420 metered customers leaving 5,507 metered customers not billed, 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.

In the circumstances, the accuracy and completeness of operating revenue balance of Kshs.301,060,526 could not be confirmed.

### **2.0 Unsupported Trade Receivables**

The statement of financial position reflects trade and other receivables balance of Kshs.868,725,168 as disclosed in Note 17 to the financial statements. However, the Management did not maintain an updated receivables' ledger that would show balance brought forward, amount accrued during the year, payments received and balance carried forward. In addition, a breakdown illustrating gross trade receivables, provision for doubtful receivables and net trade receivables were also not provided for audit.

In the circumstances, the accuracy and completeness of trade and other receivables balance of Kshs.868,725,168 could not be confirmed.

### **3.0 Variances in Cash and Cash Equivalents**

The statement of financial position reflects bank and cash balances of Kshs.16,537,977 and as disclosed under Note 18 to the financial statements. However, three (3) bank

reconciliation statements for revenue accounts at First Community Bank, development account at Kenya Commercial Bank and reserve account at First Community Bank reflects cash book opening balance of Kshs.755,049 and two (2) Nil balances while the audited cash book closing balance reflects an amount of Kshs.430,473, Kshs.438,664 and an overdrawn amount of Kshs.27,908,052 respectively, resulting in unexplained variance of Kshs.27,756,300.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.16,537,977 could not be confirmed.

#### **4.0 Unrecorded Meter Deposits**

The statement of financial position reflects trade and other payables balance of Kshs.224,620,998 and as disclosed in Note 23 to the financial statements. Included in the schedule supporting the amount is Nil balance for meter deposits. However, review of income ledgers revealed that customers paid unknown amount of meter deposits during water connections but 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 payables but income contrary to best accounting practices.

In the circumstances, the disclosure, accuracy and completeness of trade and other payables balance of Kshs.224,620,998 could not be confirmed.

#### **5.0 Lack of Updated Fixed Asset Register**

The statement of financial position reflects property, plant and equipment (PPE) net book value of Kshs.205,137,781 and as disclosed in Note 16 to the financial statements. However, the Management failed to prepare a fixed asset register in the prescribed format, lacking essential details such as identification or serial numbers, tag numbers, make/model, delivery/installation dates, depreciation rates, annual depreciation, accumulated depreciation, net book value, disposal dates, disposal values, responsible officer details, dates of revaluation, revaluation amounts and asset conditions.

In addition, ownership documents, such as the letter of allotment or title deeds for parcels of land with a net book value of Kshs.668,095, was not provided for audit. Further, five (5) motor vehicle logbooks used by the Company as collateral for a loan of Kshs.25,000,000, were not provided for audit despite the loan having matured on 26 February, 2023 and the related amount being settled.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.205,137,781 could not be confirmed.

#### **6.0 Unsupported WASREB and WARMA Fees**

The statement of profit or loss and other comprehensive income reflects operating expenditure of Kshs.101,132,508 and as disclosed in Note 11 to the financial statements. The balance includes an amount of Kshs.2,121,858 and Kshs.1,800,000 for WASREB

Levies and WARMA water use charges respectively. However, Management did not provide invoices and permit from the regulatory body.

In the circumstances, the accuracy and completeness of the combined operating expenditure of Kshs.3,921,858 could not be confirmed.

## **7.0 Unsupported Project Cost**

The statement of profit or loss and other comprehensive Income reflects project cost of Kshs.457,070,285 and as disclosed in Note 15 to the financial statements. The amount includes Kshs.4,119,956 and Kshs.6,683,849 in respect of domestic travel and repair and maintenance of motor vehicles respectively. However, included in the domestic travel is an amount of Kshs.1,436,500 that was not supported with imprest warrants, approval of activities, work plans, signed payment schedules and motor vehicle work tickets. In addition, repair and maintenance of motor vehicles of Kshs.6,683,849 was not supported with user requisitions, pre and post inspection reports in support of the repairs and maintenance services.

In the circumstances, the accuracy and regularity of the expenditure of Kshs.1,436,500 and Kshs.6,683,849 for domestic travel and repair and maintenance of motor vehicles 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 Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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**

### **1.0 Unresolved Prior Year Matters**

Prior year audit issues remained unresolved as at 30 June, 2023. Management has not provided reasons for the delay in resolving the prior year audit issues.

### **2.0 Stalled Projects**

Review of the project's implementation status report as at 30 June, 2023 revealed that six (6) projects with contract sums totalling to Kshs.137,006,335 had stalled. However, the Management did not provide any reason for the stalling of these projects.

In the circumstances, the stalled projects will affect delivery of service to the public and could also lead to increased project costs, time overruns, and a negative impact on the overall efficiency of resource utilization.

### **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 section 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**

#### **1.0 Non-Revenue Water**

Water abstraction records revealed that the quantity of water produced during the financial year under review was 4,400,699M<sup>3</sup> and the quantity of water billed for consumption was 3,035,887M<sup>3</sup>, resulting to water sales valued at Kshs.301,060,526 as reported in Note 6 to the financial statements. The difference of water quantity amounting to 1,364,812M<sup>3</sup>, which translates to approximately 44% of water produced was neither billed nor accounted for. The 44% is above the recommended rate of 25% by 19% whose estimated abnormal loss of water sales is Kshs.73,699,848

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

#### **2.0 Irregularities in Procurement of Genset Fuel**

The statement of profit or loss and other Comprehensive Income reflects project cost of Kshs.457,070,285 and as reflected under Note 15 to the financial statements. The balance includes an amount of Kshs.20,528,897 in respect of other expenses relating to water and sanitation development project funded by the World bank. Review of fuel records revealed that the Company used direct procurement to acquire genset fuel amounting to Kshs.15,400,000. In addition, detail orders, fuel register, supplier statements or generator worksheets showing the number of hours the generators were running and amount of fuel consumed were not provided for audit.

- 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 and value for money of the procurement of chemicals could not be confirmed.

### **3.0 Non-Remittance of Statutory Deductions**

#### **3.1 Non-Remittance of Pay As You Earn (PAYE) Deductions**

The statement of financial position reflects trade and other payables balance of Kshs.224,620,998 as disclosed in Note 23 to the financial statements. Included in the amount is Kshs.24,815,265 for Pay As You Earn (PAYE). However, review of payroll and ledgers revealed deductions amounting to Kshs.9,039,725 during the year under review, resulting to a cumulative amount of Kshs.24,815,265 not remitted to the Kenya Revenue Authority contrary to Income Tax Act, Cap 470.

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

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

The statement of financial position reflects trade and other payables balance of Kshs.224,620,998 as disclosed in Note 23 to the financial statements. The amount includes Kshs.2,553,737 and Kshs.558,650 due to the National Social Security Fund and National Hospital Insurance Fund respectively. However, these amounts were not remitted to National Social Security Fund and National Hospital Insurance Fund contrary to Section 20 (6) of the National Social Security Fund Regulations of 2014 and Section 18(2) of the National Hospital Insurance Act, 2008.

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

#### **4.0 Provision of Water Services Without a License**

Review of the records reveals that the Company has been operating without a license from the Regulatory Board. This was contrary to Section 85(1) of Water Act, 2016 which states that, a person shall not provide water services except under a license issued by the Regulatory Board, upon submission of an application and such supporting documents as the Board may require.

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

#### **5.0 Non-compliance with Budget Process Deadlines**

During the year under review, the Board approved the Company's budget on 19 August, 2022, three (3) months after commencement of the financial year contrary to Section 128 (1) of the Water Act, 2016 that requires estimates of revenue and expenditure

of the water company be prepared three (3) months before the commencement of the financial year.

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

## **6.0 Imprest Management**

The statement of profit or loss and other Comprehensive Income reflects administrative expenses balance of Kshs.51,909,642 and as disclosed in Note 10 to the financial statements, which includes Kshs.1,045,000 in respect of travelling and accommodation. It was, however, noted that staff were issued with cash through signed petty cash forms instead of standard imprest warrant (GP26) contrary to Section 91(2) of Public Finance Management (County Government) Regulations, 2015, which requires that the officer authorized to hold and operate an imprest shall make formal application for the imprest through an imprest warrant.

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

## **7.0 Budget Over-Expenditure**

The statement of comparison of budget and actual amounts reflects final income budget and actual on comparable basis of Kshs.326,932,369 and Kshs.799,236,210 respectively, resulting to an over-funding of Kshs.472,303,841 or 59% of the approved budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.364,824,128 and Kshs.741,492,313 respectively, resulting to an over-expenditure of Kshs.376,668,185 or 52% of the approved budget. The over-funding and over-spending indicate a misalignment between the budgetary allocation and the actual financial requirements of the organization. The over spending was against Section 107.(1) of public Finance Management Act, 2021 that requires a County entity to manage its public finances in accordance with the principles of fiscal responsibility. This will impact negatively on the implementation of other programs of the Company.

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

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, 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 section 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**

### **1.0 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, override of the internal controls could not be confirmed.

### **2.0 Weak Information Technology (IT) Internal Controls**

The Company did 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, effectiveness in internal controls in the management of the Company's IT environment could not be confirmed.

### **3.0 Lack of Approved Staff Establishment**

Review of the human resource records indicated that the Company did not have an approved staff establishment structure. It was, therefore, not clear how staffing requirements were determined and whether the resources allocated to the function were used in an optimal way. This was contrary to paragraph B 6 (3) of the County Public Service Human Resource Manual, 2013 which provides that in the recruitment process, due consideration will be given to appropriate organizational structure in each department and optimal staffing levels.

In the circumstances, optimal distribution of human resources which may result in overlap in roles or shortages in critical areas, could not be confirmed.

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 not 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 to cease operations.

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

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

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

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,



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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

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

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

I also provide 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.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**16 January, 2024**

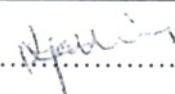
**Garissa Water and Sewerage Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**14. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2023**

	Note	2022-2023	2021-2022
		Kshs	Kshs
<b>Revenue</b>			
Operating Revenue	6	301,060,526	376,005,926
Other Income	7	498,175,684	295,633,261
<b>Total Revenue</b>		<b>799,236,210</b>	<b>671,639,187</b>
<b>Expenses</b>			
Staff Costs	8	91,441,339	88,599,149
Board Expenses	9	882,000	742,000
Administrative Expenses	10	51,909,642	48,156,224
Operating Expenditure	11	101,132,508	95,634,118
Depreciation and Amortization	12	36,610,943	43,354,085
Finance Cost	13	2,211,740	1,077,633
Audit Fees	14	233,856	233,856
Project Cost	15	457,070,285	274,400,390
<b>Total Expenses</b>		<b>741,492,313</b>	<b>552,197,455</b>
<b>Profit/(Loss) Before Taxation</b>		<b>57,743,897</b>	<b>119,441,732</b>
Income Tax Expense/(Credit)		-	-
<b>Profit/(Loss) After Taxation</b>		<b>57,743,897</b>	<b>119,441,732</b>
<b>Other Comprehensive Income</b>			
<b>Profit/ (Loss) After Taxation</b>			
Surplus Or Deficit on Revaluation Of PPE		-	-
Remeasurement Of Net Defined Benefit Liability		-	-
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI (Fair Value Through Other Comprehensive Income)		-	-
<b>Total Comprehensive Income for The Year</b>		<b>57,743,897</b>	<b>119,441,732</b>


  
 Name

Mohamed M. Dolal  
 Managing Director

  
 Name

James M. Mugo  
 Head of Finance

ICPAK M/No:.....

  
 Name

Mohamed Dahir Weyrah  
 Chairman of the Board

15. Statement Of Financial Position As of 30 June 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	205,137,781	236,361,178
<b>Total non-current assets</b>		<b>205,137,781</b>	<b>236,361,178</b>
<b>Current assets</b>			
Trade and receivable	17	868,725,168	836,964,197
Bank and cash balances	18	16,537,977	1,488,440
<b>Total current assets</b>		<b>885,263,145</b>	<b>838,452,637</b>
<b>Total Assets</b>		<b>1,090,400,926</b>	<b>1,074,813,815</b>
<b>Equity and liabilities</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	19	100,000	100,000
Capital fund	20	31,758,485	31,758,485
Retained earnings	21	<b>833,921,443</b>	<b>776,177,547</b>
<b>Capital and Reserves</b>		<b>865,779,928</b>	<b>808,036,032</b>
<b>Current liabilities</b>			
Borrowings (Overdraft)	22	-	39,506,079
Trade and other payables	23	224,620,998	227,271,703
<b>Total current liabilities</b>		<b>224,620,998</b>	<b>266,777,782</b>
<b>Total equity and liabilities</b>		<b>1,090,400,926</b>	<b>1,074,813,814</b>

The financial statements were approved by the Board on \_\_\_\_\_ 2023 and signed on its

behalf by:

Name

Mohamed M. Dolal

Managing Director

Name

James M. Mugo

Head of Finance

ICPAK M/No:.....

Name

Mohamed D. Weyrah

Chairman of the Board

16. Statement Of Changes in Equity for the Year Ended 30 June 2023

	Notes	Share capital	Revenue reserve	Capital Fund	Total
<b>As of July 1, 2021</b>		<b>100,000</b>	<b>656,735,816</b>	<b>31,758,485</b>	<b>688,594,301</b>
Profit for the year		-	119,441,731	-	119,441,731
<b>As of June 30, 2022</b>		<b>100,000</b>	<b>776,177,547</b>	<b>31,758,485</b>	<b>808,036,032</b>
<b>As of July 1, 2022</b>		<b>100,000</b>	<b>776,177,547</b>	<b>31,758,485</b>	<b>808,036,032</b>
Profit for the year		-	57,743,897	-	57,743,897
<b>At June 30, 2023</b>		<b>100,000</b>	<b>833,921,443</b>	<b>31,758,485</b>	<b>865,779,928</b>

Garissa Water and Sewerage Company Ltd.  
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17. Statement of Cash Flows for The Year Ended 30 June 2023

	2022-2023 Kshs.	2021-2022 Kshs.
<b>Cash flows from operating activities</b>		
Net Income	57,743,897	119,441,731
Add: Prior Year Adjustment	-	10,175,013
Add: interest expense		
Operating profit	57,743,897	129,616,744
Add: depreciation expense	36,610,943	43,354,085
Increase in inventory	-	-
Increase in trade receivables	(31,760,971)	(198,613,577)
Increase in trade payables	(2,650,705)	19,250,932
<b>Cash flow from operations</b>	<b>59,943,163</b>	<b>(6,391,816)</b>
Dividends paid	-	
Interest paid		-
Tax paid	(39,506,079)	39,506,079
<b>Net cash generated from operating activities</b>	<b>20,437,084</b>	<b>33,114,263</b>
<b>Cash flows from investing activities</b>		
Payments to purchase equipment	(5,387,546)	(858,967)
Proceeds from disposal of equipment	-	-
<b>Net cash used in investing activities</b>	<b>(5,387,546)</b>	<b>(858,967)</b>
<b>Cash flows from financing activities</b>		
Issues of share capital	-	
Long-term borrowings repaid	-	
<b>Net cash used in financing activities</b>	<b>-</b>	<b>-</b>
<b>Net cash flow for the period</b>	<b>15,049,538</b>	<b>32,255,296</b>
Cash and cash equivalents at the beginning of the period	1,488,439	64,496,639
Net increase/decrease in cash	15,049,538	32,255,296
<b>Cash and cash equivalents at the end of the period</b>	<b>16,537,977</b>	<b>96,751,935</b>

18. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2023

	Original Budget	Adjustments	Final Budget	Actual on a comparable basis	Performance difference
	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
<b>REVENUE</b>					
Income from operations	226,931,049	-	226,931,049	301,060,526	-74,129,477
Other income from operations	1,320	-	1,320	-	1,320
Other income	100,000,000	-	100,000,000	498,175,684	-398,175,684
<b>Total Income</b>	<b>326,932,369</b>	<b>-</b>	<b>326,932,369</b>	<b>799,236,210</b>	<b>-472,303,841</b>
<b>EXPENDITURE</b>					
Personnel Cost	82,487,196	-	82,487,196	91,441,339	-8,954,143
Directors Emoluments	2,064,000	-	2,064,000	882,000	1,182,000
Administrative Expenses	9,565,455	-	9,565,455	51909642	-42,428,187
Operating Expenditure	177,587,200	-	177,587,200	101,132,508	76,384,692
Finance Cost	85,200	-	85,200	2,211,740	-2,126,540
Audit Fees	233,856	-	233,856	233,856	-
Depreciation Expenses	-	-	-	36,610,943	-36,610,943
Project Costs	-	-	-	457,070,285	-457,070,285
<b>Total Expenditure</b>	<b>272,022,907</b>	<b>-</b>	<b>272,022,907</b>	<b>741,492,313</b>	<b>-469,469,406</b>
<b>Profit or Loss</b>	<b>54,909,462</b>		<b>54,909,462</b>	<b>57,743,897</b>	<b>-2,834,435</b>
<b>Capital Expenditure</b>					
Capital expenditure	92,801,221	-	92,801,221		92,801,221
<b>Total Expenditure</b>	<b>364,824,128</b>		<b>364,824,128</b>	<b>741,492,313</b>	<b>376,668,185</b>

## **19. Notes To the Financial Statements**

### **1. General Information**

Garissa Water and Sewerage Company Ltd was 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 judgment 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 the 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 based on historical cost unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on an accrual basis.

### **2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company'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 and presented in Kenya Shillings, which is the functional and reporting currency of the Company. The figures are rounded to the nearest Kenyan shilling.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, the Water Act 2016 and the Company's Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the financial statements (continued)

3. Application of New and Revised International Financial Reporting Standards (IFRS)

i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2023.

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.	Effective for annual periods beginning on or after 1 <sup>st</sup> January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their <b>material</b> accounting policy information rather than their <b>significant</b> accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

Notes to the Financial Statements (Continued)

**Application of New and Revised International Financial Reporting Standards (IFRS)**

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

**iii. Early adoption of standards**

The Company did not early – adopt any new or amended standards early in the year under review.

Notes to the financial statements (continued)

**4. Summary of Accounting Policies**

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

**a) Revenue recognition**

Revenue is measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognizes revenue when it transfers control of a product or service to a customer.

- i) Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) Grants from Government Entities** are recognized in the year in which the Company 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 have been acquired using such funds.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognized as it accrues.

Notes to the financial statements (continued)

Summary of Accounting Policies

**b) 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, utilities 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 but disclosed.

**c) Property, plant and equipment**

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. Certain categories of property, plant and equipment are subsequently carried at revalued amounts, being their fair value at the date of revaluation 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.

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

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

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line/reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

<b>Item</b>	<b>Years</b>	<b>Rates</b>
Land and Buildings		2%
Furniture and Fittings		12.50%
Equipment and Facilities		12.50%
Motor Vehicles		20%
Computers		33%
New Pipeline Extensions		10%
Boreholes		10%

A full year's depreciation charge is recognized both in the year of asset purchase and none in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment and accounted for in line with the provisions in the standard.

**e) Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**f) Amortization and impairment of intangible assets**

Amortization is calculated on a straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized and the asset is written down to its estimated recoverable amount.

**g) Investment property**

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. After initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising from the derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognized.

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**h) Right of Use Asset**

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

**i) Fixed interest investments (bonds)**

Fixed-interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds to earn interest. Fixed-interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at amortized cost or fair value through profit or loss or at fair value through other comprehensive income (FVOCI). (Whichever is applicable).

**j) Quoted investments**

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.



**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**k) Unquoted investments**

Unquoted investments are stated at a cost under non-current assets and comprise equity shares held in other Government-owned or controlled entities that are not quoted in the Securities Exchange. These are measured at fair value through profit or loss (FVTPL).

**l) Inventories**

Inventories are stated at the lower cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method/ FIFO (Whichever is applicable). The net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**m) Trade and other receivables**

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment continuously. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted. A report on losses and write-offs is disclosed on page 30 of this report.

Notes to the financial statements (continued)

Summary of Accounting Policies

n) **Taxation**

i) **Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the profit or loss statement. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in the tax returns for situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

o) **Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that the temporary differences will probably reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Notes to the financial statements (continued)

Summary of Accounting Policies

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**p) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period to get ready for their intended use or sale, are added to the cost of those assets until the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed-rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**q) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at the 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 an insignificant risk of changes in value. Bank account balances include amounts held at various Commercial Banks at the end of the reporting period.

**r) Borrowings**

Interest-bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

**s) Trade and other payables**

Trade and other payables are non-interest bearing and are carried at amortized cost, which is measured at the fair value of the 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.

Notes to the financial statements (continued)

Summary of Accounting Policies

**t) Retirement benefit obligations**

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 at 12% of the employee's salary (6% is contributed by the employee and 6% by the employer) per employee per month.

**u) Provision for staff leave pay**

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

**v) 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 the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**w) Budget information**

The original budget for FY 2022-2023 was approved by the Board of Directors on 19 August 2022. The Company's budget is prepared on a different basis from the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on an accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under note 18 of these financial statements.

Notes to the financial statements (continued)

Summary of Accounting Policies

**x) Service concession arrangements**

The Company analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Company recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Company also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**y) Comparative figures**

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

**z) Subsequent events**

There have been no events after the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

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

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**a) 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 Company based its assumptions and estimates on parameters available when the 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 Company. Such changes are reflected in the assumptions when they occur.

**b) 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 for disposal:

- The condition of the asset is based on the assessment of experts employed by the Company.
- 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 assets.

**c) Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 14. 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.



Notes to the financial statements (continues)

6. Operating Revenue

	2022-2023	2021-2022
	Kshs	Kshs
Water sales during the year	301,060,526	375,513,526
Other income from operations	-	492,400
<b>Total</b>	<b>301,060,526</b>	<b>376,005,926</b>

7. Other Income

	2022-2023	2021-2022
	Kshs	Kshs
County Government of Garissa	38,330,958	30,000,000
World Bank WSDP Project	459,844,726	228,000,000
WSTF - UBSUP Project	-	8,257,781
WSTF - Conditional Liquidity Scheme Grant (CLSG)	-	21,455,480
Hulugho Reverse Osmosis Project	-	7,920,000
<b>Total</b>	<b>498,175,684</b>	<b>295,633,261</b>

8. Staff Costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Salaries, Wages & Statutory deductions	91,376,839	88,432,349
Training and workshop	64,500	166,800
<b>Total</b>	<b>91,441,339</b>	<b>88,599,149</b>

9. Board Expenses

	2022-2023	2021-2022
Description	Kshs	Kshs
Honoraria	640,000	480,000
Directors Allowance	242,000	262,000
<b>Total</b>	<b>882,000</b>	<b>742,000</b>

Notes to the financial statements (continued)

**10. Administrative Expenses**

Description	2022-2023	2021-2022
	Kshs	Kshs
Travelling and Accommodation	1,045,000	1,288,555
Stationery and Printing	805,800	513,470
Professional and Legal Services	100,000	-
Postal /telephone/courier serv.	687,304	985,260
Electricity-Administration	284,917	403,723
Promotion and Advertisement	20,000	747,760
Staff Welfare and Utility	363,000	1,730,780
WASPA	-	105,000
Corporate Social Responsibility	85,000	-
Provision for bad and doubtful debts	46,278,621	41,834,884
Rent & Rates	2,240,000	540,000
National Land Commission Fees	-	6,792
<b>Total Board Expenses</b>	<b>51,909,642</b>	<b>48,156,224</b>

**11. Operating Expenditure**

Description	2022-2023	2021-2022
	Kshs	Kshs
Operation and Maintenance	23,288,026	44,250,347
Electricity	57,784,408	18,050,119
Transport operations and maintenance	2,649,990	13,500,886
Maintenance of plants, Equipment & Structures	4,979,596	6,653,636
Security Services	-	1,590,560
Chemicals	8,508,630	8,540,850
WASREB	2,121,858	1,247,720
WARMA	1,800,000	1,800,000
<b>Total Maintenance Expenses</b>	<b>101,132,508</b>	<b>95,634,118</b>

**12. Depreciation and Amortization Expenses**

Description	2022-2023	2021-2022
	Kshs	Kshs
Property, plant, and equipment	36,610,943	43,354,085
<b>Total Depreciation and Amortization</b>	<b>36,610,943</b>	<b>43,354,085</b>

Notes to the financial statements (continued)

**13. Finance costs**

	2022-2023	2021-2022
Description	Kshs	Kshs
Bank charges	2,211,740	1,077,633
<b>Total</b>	<b>2,211,740</b>	<b>1,077,633</b>

**14. Provision for Audit Fees**

	2022-2023	2021-2022
Description	Kshs	Kshs
Provision for Audit Fees	233,856	233,856
<b>Total</b>	<b>233,856</b>	<b>233,856</b>

**15. Project Cost**

	2022-2023	2021-2022
Description	Kshs	Kshs
<b>Harajab Water &amp; Sanitation Project</b>		
Project Launch	-	25,000
Community Awareness Creation	-	50,000
Project Design	-	8,763
Project Supervision, Monitoring and Contract Management	-	60,717
10% Contingency	-	-
<b>Sub-total</b>	<b>-</b>	<b>144,480</b>
<b>Libahlow Water &amp; Sanitation Project</b>		
Borehole Hybrid Equipping & Protection Works	-	1,136,423
50m <sup>3</sup> elevated Steel Tank on 10m Tower	-	590,577
Project Supervision, Monitoring and Contract Management	-	101,980
<b>Sub-total</b>	<b>-</b>	<b>1,828,980</b>
<b>Shebta-aad Water &amp; Sanitation Project</b>		
Borehole Hybrid Equipping	-	574,496
50m <sup>3</sup> elevated Steel Tank on 10m Tower	-	4,500,000
Rising Main and Distribution Pipeline	-	1,583,288
2no. Water Kiosks With 5,000 Litres Storage Tank	-	365,753.44
1no. Yard Tap	-	163,495.87

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2 No. Livestock Trough	-	997,770.56
Project Supervision, Monitoring and Contract Management	-	980
<b>Sub-total</b>	-	<b>8,185,783</b>
<b>WSDP Project</b>		
Domestic Travel and Subsistence	4,119,956	5,515,700
Printing & Advertising	955,000	871,706
Hospitality Supplies & Services	374,000	120,000
Civil Works	280,910,125	175,427,361
Office Consumables	2,052,290	-
Consultancy	99,907,327	
Procurement of Vehicles	35,839,500	-
Procurement of Plastic Tanks	-	2,284,511
Vehicle Maintenance	6,683,849.97	1,952,656
Insurance Costs	5,648,646	10,080
Bank Charges	50,214	-
Office Furniture	-	41,811,560
Others	20,528,897	-
<b>Sub-total</b>	<b>457,069,805</b>	<b>227,993,573</b>
<b>UBSUP Project</b>		
Project Administration	-	146,659
Subsidies	-	7,690,252
<b>Sub - Total</b>	-	<b>7,836,911</b>
<b>WSTF CLSG Project</b>		
Personnel Costs	-	1,050,322
Electricity	-	8,000,000
Maintenance	-	4,705,700
Direct Opex (excluding Electricity and Chemicals)	-	7,015,000
Chemicals	-	690,000
Others	-	3,810
<b>Sub - Total</b>	-	<b>21,464,832</b>
<b>Hulugho Reverse Osmosis Project</b>		
Preliminary, Supervision, Security and Accompanying Measures	480	402,110
Installation Of 2m <sup>3</sup> /hr. Reverse Osmosis Water Treatment Plant at Hulugho Girls Secondary School, Including Solar System	-	5,217,600
Construction Of Elevated Plastic Of 10m <sup>3</sup> (2N <sup>o</sup> ) at 15 Meters High	-	1,326,120
<b>Sub - Total</b>	<b>480</b>	<b>6,945,830</b>
<b>Total Project Costs</b>	<b>457,070,285</b>	<b>274,400,390</b>

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Notes to the financial statements (continued)

16. Property, Plant and Equipment

	Land and Buildings	Computers	Equipment	Furniture and Fittings	Motor Vehicles and Bikes	Pipeline Extensions	Boreholes	Total
	2.00%	33.00%	12.50%	12.50%	20.00%	10.00%	10.00%	
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Cost								
On 1 <sup>st</sup> July 2022	668,095	1,022,777	77,216,942	1,642,293	102,662,988	15,022,352	38,125,731	236,361,178
Additions		-	660,000				4,727,546	5,387,546
On 30 <sup>th</sup> June 2023	668,095	1,022,777	77,876,942	1,642,293	102,662,988	15,022,352	42,853,277	241,748,724
Depreciation and impairment								-
On 1 <sup>st</sup> July 2022	118,449	5,429,762	70,145,268	2,629,708	95,867,836	16,298,507	15,212,451	205,701,981
Depreciation charge for the year	13,362	337,516	9,734,618	205,287	20,532,598	1,502,235	4,285,328	36,610,943
On 30 <sup>th</sup> June 2023	131,811	5,767,278	79,879,886	2,834,995	116,400,434	17,800,742	19,497,779	242,312,924
Netbook values								-
On 30 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
On 30 <sup>th</sup> June 2023	654,733	685,261	68,142,324	1,437,006	82,130,390	13,520,117	38,567,949	205,137,781

Notes to the financial statements (continued)

17. Trade and Other Receivables

	2022-2023	2021-2022
	Kshs	Kshs
Trade Debtors	868,005,700	836,697,682
Share receivable	100,000	100,000
Prepayment	619,468	166,515
<b>Net trade and other receivables</b>	<b>868,725,168</b>	<b>836,964,197</b>

17. (a) Trade Receivables

	2022-2023	2021-2022
	Kshs	Kshs
Gross trade receivables	914,284,321	878,532,566
Provision for doubtful receivables	46,278,621	41,834,884
Net trade receivables	868,005,700	836,697,682
<b>As of June 30, the ageing analysis of the gross trade receivables was as follows:</b>		
Less than 30 days	27,428,529	26,533,195
Between 30 and 60 days	39,714,240	38,761,272
Between 61 and 90 days	41,999,845	40,356,695
Between 91 and 120 days	57,420,000	55,147,648
Over 120 days	747,721,707	717,733,756
<b>Total</b>	<b>914,284,321</b>	<b>878,532,566</b>

Notes to the financial statements (continued)

18. Bank and Cash Balances

	2022-2023	2021-2022
	Kshs	Kshs
Cash at bank	15,021,216	1,484,840
Cash in hand	-	-
Mobile money account (880600)	1,516,761	3,600
	<b>16,537,977</b>	<b>1,488,440</b>

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**Notes to the financial statements (continued)**

**Detailed analysis of the cash and cash equivalents**

		2022-2023	2021-2022
Financial institution	Account no.	Kshs	Kshs
Revenue Accounts – FCB	2976982901	2,546	755,049
Development Account - KCB	1107767741	10,592,856	-
Reserve Account - Equity	58029748463	100,956	69,132
General Account - FCB	2976982903	(100,000)	-
Reserve Account -FCB ()	2976982902	-	-
Post Bank Account	0744130011397	73,850	47,400
Bul la Noor Project	01134376129101	2,039	2,039
Drought Emergency Project	1207726249	993	993
WSTF - GGEP Harajab Water Project	2976982927	13	13
WSTF - GGEP Libahlow Water Project	2976982928	405	405
WSTF - GGEP Shebta-aad Water Project	2976982926	76,252	76,252
WSTF - UBSUP Project	0580279341218	516,895	516,895
WSDP Account - Equity	0580279720179	2,774,921	10,862
WSTF CLSG Account - Equity	0580280412465	5,800	5,800
WSTF Hulughu Reverse Osmosis Project	2976982932	973,690	-
<b>Total</b>		<b>15,021,216</b>	<b>1,484,840</b>

**19. Ordinary Share Capital**

	2022-2023	2021-2022
	Kshs	Kshs
<b>Authorized:</b>		
5,000 ordinary shares of Kshs.20 par value each	100,000	100,000
<b>Issued and fully paid:</b>		
5,000 ordinary shares of Kshs. par value each	100,000	100,000

**20. Capital Fund**

	2022-2023	2021-2022
	Kshs	Kshs
Fixed Assets	11,969,799	11,969,799
Inherited Debtors	21,351,302	21,351,302
Inherited Creditors	(1,562,616)	(1,562,616)
	<b>31,758,485</b>	<b>31,758,485</b>

Notes to the financial statements (continued)

21. Retained Earnings

The retained earnings represent amounts available for distribution to the company's shareholders. Undistributed retained earnings are utilised to finance the company's business activities.

22. Borrowings

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>a) Domestic Borrowings</b>		
Balance at the beginning of the year	0	39,506,079
Domestic borrowings during the year	0	0
Repayments during the year	(0)	(0)
<b>Balance at the end of the year</b>	<b>0</b>	<b>0</b>
<b>C) Total Balance at end of the period c = a+b</b>	<b>0</b>	<b>39,506,079</b>

Retirement Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2022-2023	2021-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	-	-	-	30,115,428	26,182,801
Non-current benefit obligation	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,115,428</b>	<b>26,182,801</b>

Retirement benefit Asset/ Liability

The entity has operated a defined benefit scheme for all full-time employees from January 1, 2011. The scheme is administered by British American Insurance Company while ITSL Trust Company Limited are custodians of the scheme. The scheme is based on 7.5 per cent of the salary of an employee at the time of retirement.

An actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 was not carried out. On this basis, the present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method.



**23. Trade and Other Payables**

	2022-2023	2021-2022
	Kshs	Kshs
Trade creditors	92,431,139	84,371,040
Salary payable	4,470,912	30,115,428
Other payables	127,718,947	112,785,235
<b>Total</b>	<b>224,620,998</b>	<b>227,271,703</b>

**Ageing Analysis for Trade and Other Payables**

	2022-2023	% of the total	2021-2022	% of the total
Under one year	112,310,499	50%	111,363,134	49%
1-2 years	53,909,039	24%	47,727,057	21%
2-3 years	24,708,310	11%	20,454,453	9%
Over 3 years	33,693,150	15%	47,727,059	21%
<b>Total</b>	<b>224,620,998</b>		<b>227,271,703</b>	

Notes to the financial statements (continued)

Other Disclosures

24. Related Party Disclosures

County Government of Garissa

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

Other related parties include:

- The County Department in charge of Water
- County Government of Garissa

Transactions with related parties

	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
<b>a) Sales to related parties</b>		
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	-	-
Interest income from Govt Commercial Banks	-	-
Interest income from T-bills and Bonds	-	-
Others (Specify)	-	-
<b>Total</b>	-	-
<b>b) Purchases from related parties</b>		
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-
Bank charges paid to Govt Commercial banks	-	-
Interest expense to investments by other govt. entities	-	-
Others (specify)	-	-
<b>Total</b>	-	-
<b>b) Grants from the Government</b>		
Grants from National Govt Agencies		-
Grants from the County Government	30,000,000	4,000,000

	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Donations in kind	-	-
<b>Total</b>	<b>30,000,000</b>	<b>4,000,000</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>d) Key management compensation</b>		
Directors' emoluments	-	-
Compensation to key management	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

## **25. Financial Risk Management**

The Company's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The company's financial risk management objectives and policies are detailed below:

### **(i) Credit risk**

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, experience and other factors. Individual risk limits are set based on internal or external assessments following limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

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The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking into account the value of any collateral obtained is made up as follows:

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due but not Impaired Kshs</b>	<b>Past due and Impaired Kshs</b>
<b>On 30 June 2023</b>				
Trade Receivables	868,005,700	-	-	-
Other Receivables	-	-	-	-
Investments	-	-	-	-
Bank balances	16,537,690	-	-	-
<b>Total</b>	<b>884,543,390</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>On 30 June 2022 (Previous Year)</b>				
Receivables	836,697,682	-	-	-
Other Receivables	-	-	-	-
Investments	-	-	-	-
Bank balances	1,488,439	-	-	-
<b>Total</b>	<b>838,186,121</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Credit Risk (Continued)**

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The company has a significant concentration of credit risk on amounts due from trade receivables.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Company's directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>On 30 June current year</b>				
Trade payables	-	-	92,431,139	92,431,139
Current portion of borrowings	-	-	-	-
Provisions	-	-	4,209,408	4,209,408
Deferred income	-	-	-	-
Employee benefit obligation	-	-	43,626,429	43,626,429
<b>Total</b>	-	-	<b>140,266,976</b>	<b>140,266,976</b>
<b>On 30 June previous year</b>				
Trade payables	-	-	84,371,040	84,371,040
Current portion of borrowings	-	-	-	-
Provisions	-	-	233,856	233,856
Deferred income	-	-	-	-
Employee benefit obligation	-	-	34,720,353	34,720,353
<b>Total</b>	-	-	<b>119,325,348</b>	<b>119,325,348</b>

**(iii) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the Company on an ongoing basis and evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rates, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Department in charge of risk management is responsible for the development of detailed risk management policies (subject to review and approval by the Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the Company's exposure to market risks or how it manages and measures the risk.

**a) Interest rate risk**

Interest rate risk is the risk that the Company's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises from interest rate movements on the company's deposits.

**i) Management of interest rate risk**

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Notes to the financial statements (continued)

ii) Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

iv) Capital Risk Management

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

	2022-2023	2021-2022
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	833,921,443	776,177,547
Capital reserve	31,758,485	31,758,485
<b>Total funds</b>	<b>865,679,928</b>	<b>807,936,032</b>
Total borrowings	-	-
Less: cash and bank balances	16,537,977	1,488,440
Net debt/ (excess cash and cash equivalents)		
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

**26. Incorporation**

The Company is incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya.

**27. Events After the Reporting Period**

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



20. Appendices

Appendix 1: progress on follow-up of auditor recommendations.

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1. Revenue 1.1. Failure to Bill All Customers	<p>The statement of profit or loss and other comprehensive income reflects Income from operations of Kshs.376,005,926 as disclosed in Note 4 to the financial statements. Included in the amount is Kshs.375,513,526 for water sales. However, a review of the income records revealed that the number of customers served by the Company was 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.</p> <p>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</p>	<ul style="list-style-type: none"> <li>The low metering level is being cured by installing meters. We have received a grant in the form of meters under the World Bank-funded UTF programme, not only for the master meters, to ensure 100% metering and we have embarked on installing and consumer education to change the culture where consumers remove or vandalize the meters. We have also requested the County Government to pass stringent by-laws prohibiting tampering with meters. Installation of the meters is ongoing.</li> </ul>	Not Resolved	FY 2023/24

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Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>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 cash collections, a situation likely to affect the liquidity of the Company.</p> <p>In the circumstances, the accuracy and completeness of the water sales balance of Kshs.375,513,526 could not be confirmed.</p>	<ul style="list-style-type: none"> <li>The company is in the process of renewing its tariff and the process is at an advanced stage.</li> </ul>		
<p>2. Unsupported Trade Receivables</p>	<p>The statement of financial position reflects the trade and other receivables balance of Kshs.836,964, 197 as disclosed in Note 12 to the financial statements. However, the Company did not maintain an updated receivables ledger that would show the balance brought forward, the amount accrued during the year, payments received and the balance carried forward. Further, the Company did not provide an ageing analysis of the receivables that would</p>	<ul style="list-style-type: none"> <li>The company maintained the ledger but the data was in PDF format. We are in the process of migrating to a more robust and efficient software (World Bank UTF programme) which has already been funded and is at the procurement stage. The new software will have better controls and reports that will cure the above.</li> </ul>	<p>Not Resolved</p>	<p>FY 2023/24</p>

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Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	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	<ul style="list-style-type: none"> <li>As explained above the current software is not able to age debtors but this is being addressed as above too.</li> </ul>		
3. Cash and Cash Equivalent	<p>The statement of financial position reflects a cash and cash equivalent balance of Kshs.1,488,439 as disclosed in Note 13 to the financial statements. However, the statement of cash flows as of 30 June 2022 reflects a cash and cash equivalent balance of Kshs.96,751,935 resulting in unreconciled and unexplained variance of Kshs.95,263,496.</p> <p>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</p>	<ul style="list-style-type: none"> <li>We have noted the variance in the cash and cash equivalent and the statement of cash flows and will reconcile the same.</li> <li>The Board approval minutes and agreement from the Commercial banks to utilize overdraft facilities are available for your review.</li> </ul>	Resolved	FY 2022/23

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Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>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.</p> <p>In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.1,488,439 as of 30 June 2022 could not be confirmed and the Management was also in contravention of the law.</p>			
<p>4. Unreconciled Personnel Costs</p>	<p>The statement of profit or loss and other comprehensive income reflects personnel costs balance of Kshs.88,599,149 as disclosed in Note 5 to the financial statements. However, a review of payroll and ledgers and schedules revealed an expenditure of Kshs.79,405,472 and Kshs.88,432,349 resulting in a variance of Kshs.9,193,677 and Kshs.166,800 respectively.</p> <p>In the circumstances, the accuracy and</p>	<ul style="list-style-type: none"> <li>• This was a misstatement and was corrected. The ledger is available for further review</li> <li>• The Kshs. 166,800 is the staff training costs incurred during the period under review.</li> </ul>	<p>Not Resolved</p>	<p>FY 2023/24</p>

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Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	completeness of personnel cost balance of Kshs.88,599, 149 could not be confirmed.			
7. Unrecorded Meter Deposits	<p>The statement of financial position reflects the trade and other payables balance of Kshs.227,271,703 as disclosed in Note 14 to the financial statements. Included in the amount is a Kshs nil balance for meter deposits. However, a review of income ledgers revealed that customers paid an unknown amount of meter deposits during water connections. The Management did not maintain a separate bank account for customer deposits and relevant registers. Further, the Management did not account for the customer deposits as payables but income against best accounting practices.</p> <p>In the circumstances, the disclosure and completeness of customer deposits could not be confirmed.</p>	<ul style="list-style-type: none"> <li>Management has noted the observation and is in the process of acquiring a robust system under the World Bank UTF programme that will enable the recording of the same as the current system is not able to produce a report on the same.</li> </ul>	Not Resolved	FY 2023/24

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Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
8. Unsupported Finance Costs	<p>The statement of profit or loss and other comprehensive income reflects the finance costs balance of Kshs.1,077,633 as disclosed in Note 9 to the financial statements. However, the expenditure was not supported by ledgers.</p> <p>In the circumstances, the accuracy and completeness of the finance costs balance of Kshs.1,077,633 could not be confirmed.</p>	<ul style="list-style-type: none"> <li>Attached is the ledger for finance costs for your review.</li> </ul>	Resolved	FY 2021/22
9. Unsupported Prior Year Adjustments	<p>The statement of changes in net assets reflects an unexplained and unsupported prior-year adjustment of Kshs.10, 175,013.</p> <p>In the circumstances, the financial statements could not be confirmed</p>	<ul style="list-style-type: none"> <li>This refers to prior year balances brought forward for revenue reserves now corrected.</li> </ul>		

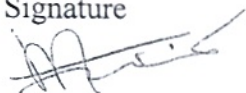
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The other Issues raised are being addressed in FY 2023/24.

Name            Mohamed Mohamud Dolal

Signature



Managing Director

Date.....18.9.23.....

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Appendix II: Projects Implemented by the Company  
Projects

Projects implemented by the Company are Funded by development partners.

Project title	Project Number	Donor	Period/ Duration	Donor commitment	Separate donor reporting is required as per the donor agreement (Yes/No)	Consolidated in these financial statements  (Yes/No)
Harajab Water & Sanitation Project	RUP/1/W&S/GARISSA/GAWASCO/ HARAJAB/1	WSTF	6 Months		Yes	Yes
Libahlow 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 Project Completion

	Project	Total Project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Harajab Water & Sanitation Project	19,258,438	19,258,425	100%	19,258,438		WSTF
2	Libahlow Water & Sanitation Project	23,036,034	23,035,629	100%	23,036,034		WSTF
3	Shebta-Aad Water & Sanitation Project	19,115,465	19,039,213	100%	19,115,465		WSTF
4	Wsdp Project	459,844,726	457,069,805	99%	459,844,726		WORLD BANK
5	UBSUP Project	17,214,223	11,637,611	68%	17,214,223		WSTF
6	CLSG Project	21,455,480	21,449,680	100%	24,831,493		WSTF
7	Hulugho Reverse Osmosis Project	13,200,000	12,226,310	93%	13,200,000		WSTF

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Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive Income	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry/County Department of Water		Recurrent	38,330,958	38,330,958,	-	-	-	-	38,330,958
<b>Total</b>			<b>38,330,958</b>	<b>38,330,958,</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,330,958</b>

