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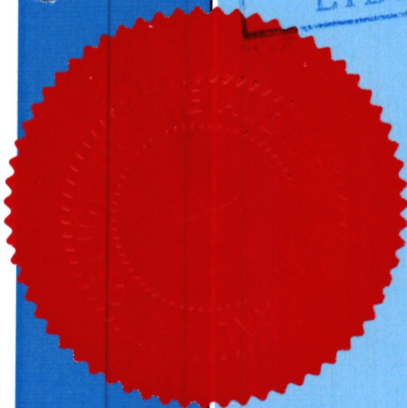


**OAG**



**OFFICE OF THE AUDITOR-GENERAL**

*Enhancing Accountability*



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**REPORT**

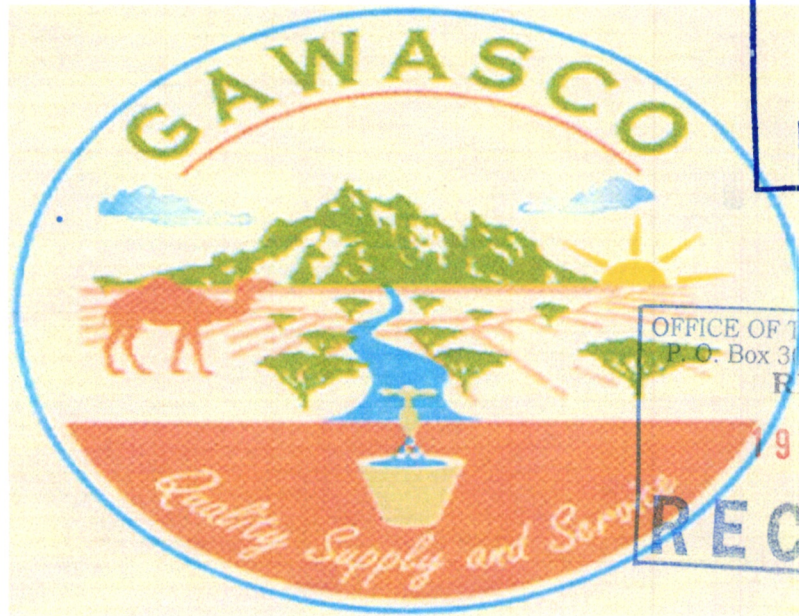
**OF**

**THE AUDITOR-GENERAL**

**ON**

**GARISSA WATER AND SEWERAGE  
COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2021**



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**GARISSA WATER AND SEWERAGE COMPANY LIMITED**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2021**

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

**Garissa Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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**Garissa Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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**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 6<sup>th</sup> July 2004. At cabinet level, Garissa Water and Sewerage Company Limited is represented by the Cabinet Secretary for water and irrigation, who is responsible for the general policy and strategic direction of the *entity*. The *entity* is domiciled in Kenya.

**Principal Activities**

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

**Directors**

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

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

**Corporate Headquarters**

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

**KEY ENTITY INFORMATION (Continued)**

**Corporate Contacts**

Telephone: (254) 703688688

E-mail: [garissawater@yahoo.com](mailto:garissawater@yahoo.com) / [info@gawasco.co.ke](mailto:info@gawasco.co.ke)

Website: [www.gawasco.co.ke](http://www.gawasco.co.ke)

**Corporate Banker**

1. First Community Bank  
Garissa Branch  
P.O Box 642  
**Garissa, Kenya**
2. Equity Bank  
Garissa Branch  
P.O Box 700-70100  
**Garissa, Kenya**
3. Kenya Commercial Bank  
Garissa Branch  
P.O Box  
**Garissa, Kenya**

**Independent Auditors**

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

**Principal Legal Advisers**

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

**Garissa Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

**THE BOARD OF DIRECTORS**

| <b>NAME</b>   | <b>POSITION</b> |
|---|-----------------|
| 1. Mr Mohamed Dahir Weirah<br>P.O. Box 1088-70100,<br>Garissa<br>Tel:046-210-3330 | Chairman        |
| 2. Mrs Fatuma A. Bathi<br>P.O. Box 1088-70100,<br>Garissa<br>Tel:046-210-3330     | Member          |
| 3. Mrs Amina M. Magan<br>P.O. Box 1088-70100,<br>Garissa<br>Tel:046-210-3330      | Member          |
| 4. Mrs Fatuma A. Muhumed<br>P.O. Box 1088-70100,<br>Garissa<br>Tel:046-210-3330   | Member          |
| 5. Mr Yunis Y. Ibrahim<br>P.O. Box 1088-70100,<br>Garissa<br>Tel:046-210-3330     | Member          |
| 6. Mr Ahmed A. Noor<br>P.O. Box 1088-70100,<br>Garissa<br>Tel:046-210-3330        | Member          |
| 7. Mr Robert G. Ndirangu<br>P.O. Box 1088-70100,<br>Garissa<br>Tel:046-210-3330   | Member          |
| 8. Mr Aden H. Mohamed<br>P.O. Box 1088-70100,<br>Garissa<br>Tel:046-210-3330      | Member          |
| 9. Mr Mohamed Issack<br>P.O. Box 1088-70100,<br>Garissa<br>Tel:046-210-3330       | Member          |
| 10. Mr Yussuf A. Barre<br>P.O. Box 1088-70100,<br>Garissa<br>Tel:046-210-3330     | Member          |

**MANAGEMENT TEAM**

| PHOTO   | NAME  | POSITION   |
|---|---|--|
|    | <p>Yussuf A. Barre<br/> P.O. Box 1088-70100,<br/> Garissa<br/> <a href="tel:(254)703688688">Tel: (254) 703 688 688</a></p>      | <p>Managing Director</p>                         |
|   | <p>Christopher W. Kamau<br/> P.O. Box 1088-70100,<br/> Garissa<br/> <a href="tel:(254)703688688">Tel: (254) 703 688 688</a></p> | <p>Technical Services Manager</p>                |
|  | <p>Abdirahman M. Aden<br/> P.O. Box 1088-70100,<br/> Garissa<br/> <a href="tel:(254)703688688">Tel: (254) 703 688 688</a></p>   | <p>Finance &amp; Administration<br/> Manager</p> |

**Garissa Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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**CHAIRMAN'S STATEMENT**

**Dear shareholders,**

I am pleased to present the annual report and financial statement for the year ended 30<sup>th</sup> June 2021. The Company has had numerous challenges in the past years that resulted from, notwithstanding, the pandemic, what's had us to do us be currently, was, is, and will be in its situation to do as such, taking into its continued operation saw a significant improvement in the provision of water and sewer services in this haven. In the year, the company transited.

**WATER SECTOR**

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

**OVERVIEW**

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

**CHALLENGES**

**HUMAN RESOURCE**

Our employees are the most valued asset and the company is continuing to assess its staffing requirements. Customer care, Unaccounted for Water, Water quality monitoring and evaluation and billing system remain major challenges to our staff. Through capacity building, staffs are being trained to ensure that all these challenges are overcome. Also, our staffs are being motivated in various ways for higher performance. To increase efficiency and accuracy in billing and to meet customer expectation, the company in consultation with our regulator has sourced for billing

software and SMS system of bill query and delivery and payment through M-Pesa service by our customers hence increased efficiency of operations.

**CHAIRMAN'S STATEMENT(Continued)**

**NON-REVENUE WATER**

Non-Revenue water remains a thorn in the flesh to the company. Aged and corroded pipes, vandalism, high pressure, illegal connection, meter tempering by customers and flat rate contribute majorly to the above. Due to its adverse effect on our revenue, the company has put in place constant line patrol, night flow measurements and staff training. This measure has

maintained the level of unaccounted for water at 70% to 44% in the year under review. The company has also a budget line dedicated to non-Revenue water management.

**FUTURE OUTLOOK**

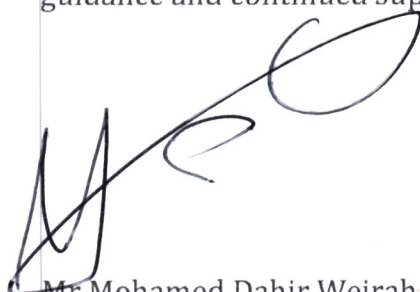
Due to the evidenced challenges in the economy and especially in the water sector, we must ensure that we evaluate and review our strategies constantly for us to achieve our mission statement and also to shorten our response time to the started challenges. It is also worth noting that GAWASCO will continue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

**PERSONAL THANKS**

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

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

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



Mr Mohamed Dahir Weirah  
**Chairman**

**REPORT OF THE MANAGING DIRECTOR**

**General overview**

During the year under review; 2020/21, strategies aimed at securing adequate water supply, expanding water access to the residents, improving the quality of supply and service to our customers, as well as financial performance took the centre stage of our operations.


**Company performance**

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

We wish to thank the county government for its assistance in the payment of our electricity bills. There was a slight decrease in income as compared to last year as external funding reduced

**Human resource**

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



Yussuf Abdi Barre  
**Managing Director**

**CORPORATE GOVERNANCE STATEMENT**

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

## CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

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

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

GAWASCO's strategic goals are as follows;

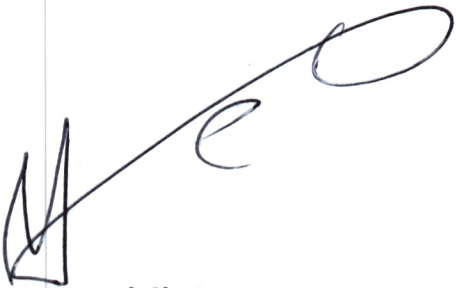
- 1. Build harmonious relationships with the local communities.** This will ensure that the company avoids conflicts that could be a hindrance to the successful implementation of the CSR plans.
- 2. The Capacity Building for staff on Corporate Social Responsibility (CSR) issues.** Employees are empowered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

**Garissa Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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5. **Establish strategic partnerships on CSR.** This represents best practices and exposes the company to other horizons through the utilization of synergies with such partnerships – “Unity is Strength.”

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



Board Chairman  
GAWASCO

**REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021, 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, 2021, are set out from pages 15 to 33.

**Auditors**

The Auditor-General is responsible for the statutory audit of Garissa Water and sewerage Company Limited in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended June 30, 2021, in accordance with section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

Office of the Auditor-General, Garissa Hub was nominated by the Auditor General to carry out the audit of Garissa Water and sewerage Company Limited for the period ended June 30, 2021.

By Order of the Board



Mohamed Dahir Weirah

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of that Garissa Water and Sewerage Company Limited, which give a true and fair view of the state of affairs of the company at the end of the financial year and the operating results of the of Company for that year. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy of the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of Garissa Water and sewerage Company Limited's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2021. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of Garissa Water and sewerage Company Limited.
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud.
- (iv) Safeguarding the assets of Garissa Water and Sewerage Company Limited
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for Garissa Water and sewerage Company Limited's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors believe that Garissa Water and sewerage Company Limited's financial statements give a true and fair view of the state of the company's transactions during the financial year ended June 30, 2021, 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.

**Garissa Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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**Approval of the financial statements**

Garissa Water and sewerage Company Limited's financial statements were approved by the Board on 08/03/2022 and signed on its behalf by:



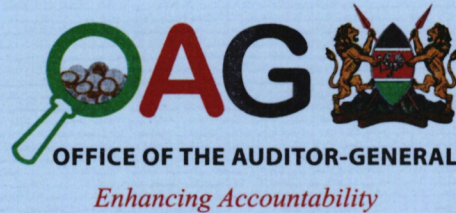
Chairman



Managing Director

# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON GARISSA WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021**

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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 and 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 intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity 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 entity.

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 17 to 37 which comprise the statement of financial

*Report of the Auditor-General on Garissa Water and Sewerage Company Limited for the year ended 30 June, 2021*

position as at 30 June, 2021 and the statement of profit and loss & 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 which, 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, 2021, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and do not comply with the Companies Act, 2015 and the Water Act, 2016.

### **Basis for Adverse Opinion**

#### **1. Inaccurate Opening Amounts**

Review of the financial statements for the Company revealed that some of the opening balances for the financial year 2019/2020 were incorrectly captured in the current year statements as detailed below: -

| <b>Component</b>             | <b>Audited Account Amounts (Kshs.)</b> | <b>Prior year Amounts Incorrectly Transferred (Kshs.)</b> | <b>Variance (Kshs.)</b> |
|------------------------------|--|---|-------------------------|
| Other income                 | 135,046,320                            | 175,046,320   | (40,000,000)            |
| Directors' Emolument         | 1,628,000                              | 1,688,000   | (60,000)                |
| Administrative Expenses      | 44,436,754                             | 44,536,754  | (100,000)               |
| Depreciation Expenses        | 14,530,563                             | 14,534,766  | (4,203)                 |
| Project Costs                | 114,865,930                            | 145,371,362   | (30,505,432)            |
| Surplus/deficit              | 140,676,627                            | 150,006,992   | (9,330,365)             |
| Property Plant and Equipment | 110,782,182                            | 110,777,980   | 4,202                   |
| Trade and other Receivables  | 806,389,466                            | 767,105,309   | 39,284,157              |
| Cash and Cash Equivalents    | 491,092                                | (21,945,392)  | 22,436,484              |
| Trade and other Payables     | 238,751,094                            | 167,548,171   | 71,202,923              |
| Net Current Assets           | 558,129,464                            | 567,611,746   | (9,482,282)             |
| Revenue Reserves             | 637,053,161                            | 646,531,241   | (9,478,080)             |

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

#### **2. Presentation of Financial Statements**

The financial statements submitted for audit did not conform to the format prescribed by the Public Sector Accounting Standards Board since they lacked the following information: -

- i) Progress report on the follow up of the previous audit issues was not been included in the financial statements;
- ii) Details of qualifications, period served and experience of the Board of Directors and their passport-size photos were not reflected.
- iii) Management team details on their professions and qualifications were not also reflected.
- iv) Statement of performance against Company's predetermined objectives was not included in the financial statements;
- v) Management discussion analysis statement was not included in the financial statement;
- vi) The statement of Directors' responsibilities indicates State Corporation Act instead of the Water Act, 2016 as the requirement for preparation of financial statements.

In the circumstances, the financial statements were not prepared in compliance with International Financial Reporting Standards (IFRS) reporting template provided by the Public Sector Accounting Standards Board.

### **3. Development Grants Reflected as Other Income**

The statement of profit and loss and comprehensive income for the year ended 30 June, 2021 reflects other income of Kshs.226,972,125 being various development grants reported under Note 4 to the financial statements. However, International Accounting Standards No.20 requires setting up the grant as deferred income or deducting it from the carrying amount of the asset.

Consequently, the disclosure and presentation of the development grants amount of Kshs.226,972,125 as at 30 June, 2021 was not in line with the accounting standards.

### **4. Cash and Cash Equivalents**

The statement of financial position reflects cash and cash equivalents opening negative balance of Kshs.21,945,392 as at 30 June, 2020 and a closing balance of negative Kshs.10,417,431 as at 30 June, 2021, while Note 13 to the financial statements reflects Kshs.491,092 as the opening balance. Further, the statement of cash flows reflects an opening balance of Kshs.15,769,644 as at 1 July, 2020 and Kshs.64,496,640 as the closing balance for cash and cash equivalents resulting in unexplained variances between the statement of financial position, the Note 13 to the financial statements and the statement of cash flows.

Review of the bank reconciliation statements for the general account held with a local bank revealed that the Company had stale and unrepresented cheques amounting to Kshs.9,607,157. In addition, cheques amounting to Kshs.2,923,176 lacked payee details. The cheque book counterfoils for these cheques were not provided for audit review.

The Management did not provide bank reconciliation statements, cashbooks, bank statements and certificates of bank balances of three (3) bank accounts namely; reserve account, Project account and drought and emergency project account.

Further, cashbooks and bank reconciliations statements for the Post Bank account, the M-pesa pay bill account, Conditional Liquidity Support Grant and Urban Basic Sanitation Upgrading Project were not provided for audit review.

Consequently, the accuracy, completeness and validity of cash and cash equivalents negative balance of Kshs.10,417,431 as at 30 June, 2021 could not be confirmed.

## **5. Irregular Bank Overdraft**

Review of the cashbook, bank statement and certificate of bank balance for the general account held with a local Bank reflects a cashbook negative balance of Kshs.28,544,213 while the bank statement reflects a bank overdraft of Kshs.16,305,171 as at 30 June, 2021. However, the Management did not provide evidence to show the Board of Directors' approval for the overdraft. Requisition letters for the facility and a signed agreement between the Company and the lenders were not provided for review.

Management was in breach of Section 119(4) of the Public Finance Management Act, 2012 which states that an accounting officer for a county government entity shall not cause a bank account of the entity to be overdrawn beyond the limit authorized by the County Treasury.

In the circumstances, the validity, legality and completeness of the bank overdraft could not be confirmed.

## **6. Income from Operations**

### **6.1 Unaccounted for Income from Operations**

The statement of profit and loss and other comprehensive income reflects income from operations of Kshs.303,621,811. However, review of the revenue records provided for audit review revealed the following anomalies: -

- a. The billing report generated from the revenue collection system indicates sales for the period of Kshs.301,099,508 while the financial statements reflects Kshs.302,510,127 resulting to an unreconciled variance of Kshs.1,410,619.
- b. The total number of customers recorded in the revenue system as at 30 June, 2021 were 17,518. Out of this number, 3,182 or 18% of them were metered while 12,494 were billed.
- c. Review of the metered and unmetered analysis provided revealed the following anomalies: -

- i. The Management disclosed an annual water bill of Kshs.301,099,508. However, records provided revealed that only Kshs.151,034,569 was collected from water sales in the financial year 2020/21.
- ii. The Management charges reasonably low and expired water tariffs that were last approved on 14 May, 2010 and expected to have been reviewed again in June, 2012 for further adjustment as per Gazette Notice No. 5321, Vol. CXII – No.49, page 1724. 2;
- iii. The master meters installed to record water at production were faulty and the Company could only estimate the amount of water produced during the financial year using pumping hours which resulted to inaccurate readings.
- iv. The Company did not maintain a cheque register to control and account for cheques received as water revenue.

In the circumstances, the accuracy and completeness of income from operations of Kshs.303,621,811 for the year ended 30 June, 2021 could not be confirmed.

## **6.2. Non-Revenue Water**

During the year under review, the Company produced a total of 6,368,009 cubic meters of water. However, a total of 3,206,271 cubic meters was billed to customers resulting to Non-Revenue Water (NRW) of 3,161,738 cubic meters or 50%. The allowable NRW rate according to Water Service Regulatory Board (WASREB) guidelines is 25% resulting to 25% over and above the allowable rate. Therefore, the unallowable 25% or 790,435 cubic meters of water may have resulted to Non-Revenue Water (NRW) loss estimated at Kshs.80,624,370 at a rate of Kshs.102 per cubic meter.

This significant level of NRW may negatively impact on the Company's profitability and is a risk to sustainability of its operations.

## **7. Irregular Engagement of Casuals**

During the year under review, the Company engaged a total of forty-seven (47) casual employees. A review of the expenditure revealed that the wages on temporary employees was Kshs.6,390,188 for the period under review. However, records showing how temporary employees were engaged, reason for their recruitment, terms and conditions of engagement and approval from the Board to engage temporary employees were not provided for audit review. Further, muster rolls for the temporary workers were not provided for audit review to confirm the existence of the temporary employees and their departments.

In view of the foregoing, it was not possible to confirm the validity of Kshs.6,390,188 incurred on temporary employees as at 30 June, 2021.

## **8. Unsupported Expenditure on Traveling and Accommodation**

The statement of profit and loss and other comprehensive income includes administration expenses amount of Kshs.41,462,420 as reflected under Note 7 to the financial statements, out of which is an amount of Kshs.3,232,300 was incurred on travelling and accommodation. However, payments amounting to Kshs.895,200 were not supported with travel documents such as work tickets as proof of travel.

In the circumstances, the accuracy of the expenditure on travelling and accommodation amounting to Kshs.895,200 for the year ended 30 June, 2021 could not be confirmed.

## **9. Operating Expenditure**

### **9.1 Unsupported Expenditure on Petty Cash**

Included in the operating expenditure of Kshs.129,124,432 and as disclosed under Note 8 to the financial statements is an expenditure on operation and maintenance of Kshs.30,933,772, out of which an amount of Kshs.4,802,850 related to petty cash payments. However, the payment vouchers listed in the schedule and supporting documentation for petty cash use were not provided for audit review.

In the circumstances, it was not possible to confirm the validity of the expenditure of Kshs.4,802,850 for the year ended 30 June, 2021.

### **9.2 Unaccounted for Motor Vehicle Repairs**

Included in the operating expenditure of Kshs.129,124,432 in Note 8 is Kshs.4,051,329 in respect of transport operation and maintenance which includes, an amount of Kshs.1,151,099 relating to servicing and repairs of motor vehicles and other transport equipment. However, review of the expenditure and other supporting documents revealed that an amount of Kshs.952,236 was not supported with pre and post inspection report issued by the State Department for Public Works indicating the nature of repairs and estimated costs to ascertain whether it was economical to repair the motor vehicles and whether the spares were fitted to the vehicles. It was also noted that the repairs were not taken on charge in the logbook (GP 55) and the work tickets were not provided for audit review to confirm the repairs were indeed carried out.

In the circumstances, the validity of the expenditure amounting to Kshs.952,236 for the year ended 30 June, 2021 could not be confirmed.

### **9.3 Unsupported Fuel and Lubricants**

Included in the operating expenditure amount of Kshs.129,124,432 under Note 8 to the financial statements is an amount of Kshs.30,933,772 relating to operation and maintenance, out of which Kshs.7,434,620 relates to fuel. However, it was noted that fuel worth Kshs.2,645,280 procured from a supplier vide LPO numbers 19658, 19664, 16707, 19322, 19653 and 19660 were not recorded in the bulk fuel register and were not also supported with detail orders.

Consequently, the validity of fuel amounting to Kshs.2,645,280 for the year ended 30 June, 2021 could not be confirmed.

## **10. Trade and Other Payables**

### **10.1 Anomalies in Trade Creditors**

The statement of financial position reflects trade and other payables balance of Kshs.208,020,771. Included in this balance in Note 14 is trade creditors of Kshs.104,456,657 as at 30 June, 2021. However, the following anomalies were observed:

- i) The Company did not maintain a comprehensive creditors' ledger to record transactions of creditors;
- ii) Supporting documents such as invoices and creditors' statements were not provided for audit verification;
- iii) The Company did not carry out cut-off procedures to ensure that the creditors related to the year under review.
- iv) Included in the trade and other payables balance is PAYE of Kshs.30,136,409 not remitted to Kenya Revenue Authority which was exclusive of penalties and interest which was likely to be levied.

As a result, the accuracy and completeness of the trade and other payables balance of Kshs.104,456,657 as at 30 June, 2021 could not be confirmed.

### **10.2 Unsupported Accruals**

Included in the trade and other payable balance of Kshs.208,020,771 and as disclosed under Note 14 to the financial statements are accrued Water Abstraction Fees (Water Resource Authority) of Kshs.10,215,000, WASREB Levy of Kshs.10,936,477, Northern Water Works Development Agency (NWWDA) levy of Kshs.12,008,574, Municipal levy accrued amount of Kshs.7,726,923 and pension accrued amounting to Kshs.26,182,801. However, aging analysis for the balances to establish how long the payables had been outstanding was not provided.

In the circumstances, the accuracy and completeness of accounts payable balance of Kshs.208,020,771 as at 30 June, 2021 could not be confirmed.

## **11. Irregular Expenditure in Project Costs**

Included in the total project costs amount of Kshs.196,635,159 and as disclosed in Note 19 to the financial statements is a Conditional Liquidity Support Grant of Kshs.24,831,493 received from Water Services Trust Fund (WSTF). The Company spent the grant partly on administrative and operating expenditure, electricity bills, personnel costs, equipment maintenance, levies and bank charges. However, the

conditional grant financing agreement between the Company and Water Services Trust Fund to confirm the validity of the expenditure was not provided for audit review.

In addition, Kshs.4,607,520 spent on procurement of maintenance of equipment was not supported with tender documents such as requisitions from the user department, contract agreement, request for quotations, tender evaluation and award documents, inspection and acceptance committee minutes, Issue Notes S11, stores ledger and S13.

Consequently, the validity and completeness of the expenditure on Conditional Liquidity Support Grant of Kshs.24,831,493 for the year ended 30 June, 2021 could not be confirmed.

## **12. Unreconciled Variance in Total Expenditure**

The statement of profit and loss and other comprehensive income reflects total expenditure of Kshs.510,214,948 while the statement of comparison of budget and actual amounts reflects actual amounts of Kshs.229,145,263 resulting to an unreconciled variance of Kshs.281,069,685.

In the circumstances, the accuracy of the total expenditure in the two statements could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Garissa Water and Sewerage Company Limited in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

### **Key Audit Matters**

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

### **Other Matter**

### **Unresolved Prior Year Matters**

Various prior year audit issues remained unresolved as at 30 June, 2021. Management has not provided reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues are not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

## **Other Information**

The Board of Directors is responsible for the other information, which comprises the statement of performance against predetermined objectives, Chairman's Statement, the report of the Managing Director, the statement of corporate governance, management discussions and responsibilities, statement of corporate social responsibility and the statement of Directors' responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion 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 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. Non-Remittance of Statutory Deductions**

During the year under review, an amount of Kshs.6,522,510 was deducted from the employees as P.A.Y.E. However, the deductions were not remitted to Kenya Revenue Authority. Further, the Management did not remit deductions of Kshs.1,409,050 and Kshs.306,400 to National Hospital Insurance Fund and National Social Security Fund respectively contrary to Section 37(1) of the Income Tax Act, Section 16 (1) of the National Hospital Insurance Fund Act, 2012 and Section 16 (1) and 19 (2) of the National Hospital Insurance Fund Act, 2012 of the law.

The Management was in breach of law.

#### **2. World Bank - Water and Sanitation Development Project (WSDP)**

##### **2.1 Delayed Construction of Office Block and Laboratory**

According to status report provided for audit review, an amount of Kshs.8,160,464 was paid to a supplier in respect of construction of office block and laboratory with a contract sum of Kshs.28,503,288. However, physical verification carried out on 3 February, 2022 revealed that the project was incomplete with status report indicating 17% completion status while 29% of the payment had already been paid. The construction was just three (3) courses above the ground while backfilling and the floor slab had not been done. The project intended completion date was 18 months from April, 2020 and no extension was granted hence the project may delay.

In addition, inspection and acceptance committee report and interim completion certificate were not provided for audit review.

In the circumstances, value for money for the project may not have been realized.

## **2.2 Undelivered Motor Vehicle**

The Company procured two exhaustor motor vehicles from a supplier at a total contract sum of Kshs.33,176,000 and made payment amounting to Kshs.11,858,000. However, according to contract agreement signed on 17 January, 2020 the motor vehicles were to be delivered within four months of signing the contract. However, physical verification carried out on 3 February, 2022 revealed that one exhaustor was not delivered two years' later, and no plausible explanation was provided for the non-delivery.

In the circumstances, the citizens did not benefit from the services of the exhaustor not delivered.

## **2.3 Delayed Rehabilitation and Construction of Boreholes-Group 1**

According to status report, an amount of Kshs.35,830,770 was paid to a supplier in respect of rehabilitation and construction of boreholes at a contract sum of Kshs.138,871,800. However, physical verification carried out on 9 February, 2022 revealed that the project at two immediate works (Welhar and Labisigale Bh5) were incomplete.

Even though a project extension was given, the contractor had not been on site for over 3 months and as a result, the project may stall.

## **2.4 Rehabilitation and Construction of Boreholes-Group 2**

According to status report, an amount of Kshs.44,198,074 was paid to a supplier in respect of construction and rehabilitation of boreholes at a contract sum of Kshs.115,786,530. However, physical verification carried out on 11 February, 2021 established that the project was not complete and was at 55% of completion.

Even though project extension was given, during the verification exercise carried out in February, 2022, the contractor was not been on site for over three months with the likelihood of the project stalling.

## **2.5 Rehabilitation and Construction of Boreholes-Group 3**

According to status report, an amount of Kshs.52,002,917 was paid to a supplier in respect of construction and rehabilitation of boreholes at a contract sum of Kshs.151,679,740. However, physical verification carried out on 9 February, 2022 established that the four (4) immediate works for projects ( Bulla nyanya, Bulla kher, Bogyar and Weldoni) was incomplete.

Although the project extension was given, the contractor was not on site for over four months and as a result, the project had stalled.

The Management did not provide vital records relating to the above stated projects such as annual work plan, budgetary provision, donor financing conditional agreement, requisition for the amount disbursed, interim certificate of completion and inspection and acceptance committee reports.

In the circumstances, the validity of the expenditure on WSDP projects of Kshs.152,050,225 for the year ended 30 June, 2021 could not be confirmed.

### **3. Project Costs**

#### **3.1 Delayed Sheebta Aad Water and Sanitation Project**

The project was awarded to a contractor at a contract sum of Kshs.14,988,648 and a contract agreement entered into on 31 January, 2020. While the project was supposed to be completed within three months from the date of the agreement, the contract completion date was extended to 31 December, 2020 through a letter Ref No.GAWASCO/ONT/04/2019-2020 dated 3 September, 2020. However, the contractor was not able to complete the project on time. This caused the Water Service Trust Fund (WSTF), which was the financier to discontinue the project through a letter Ref No. WSTF/4/GGD/198/VOL.4 (61) dated 17 December, 2021 and demand for refund of Kshs.3,476,371 being the balance in the project account. The contractor was paid a total of Kshs.11,052,257 representing 74% of the total contract sum. Physical verification conducted on 11 February, 2022 established that the project was incomplete and the contractor was not on site. The following observations were made;

- i) Piping to the water kiosks and the latrines not completed and hence no water at the facilities;
- ii) Kiosk water tanks were not delivered. Tanks were not provided with metal grills to protect them from vandalism and wind as per design;
- iii) An old non-functional second hand-generator set was installed yet payment had been made in full;
- iv) Poor quality workmanship was evident on the fence yet payment for the same had been made in full;
- v) Signboard and feasibility study was not done yet it was paid for;
- vi) The pipeline lay exposed at the road crossing hence exposing it to damage;
- vii) Only 15 solar power modules had been installed instead of 36 as per the bills of quantities yet payment for it was made in full
- viii) Conditional grant agreement was not provided for audit review.

## **2.2. Libahlow Water Project**

The project was awarded to a contractor at a contract sum of Kshs.14,657,999. The total contract sum of Kshs.14,657,999 was paid to the contractor. However, physical verification conducted on 10 February, 2022 established that the project was not complete and the contractor was not on site. The following observations were made;

- i) Pipes connecting to the water kiosks and the latrines were not functioning hence no water at the facility;
- ii) Water tanks provided in the latrines were vandalized and stolen by the community members.
- iii) One toilet roofing was blown off by the wind and some doors were broken;
- iv) Vandalism on the project by the community due to lack of awareness and training on the investments and redress procedures;
- v) No branding was done to the toilets, water kiosks and troughs;
- vi) The pipes lay exposed hence could easily be damaged;
- vii) The troughs already had cracks, a sign of poor workmanship;
- viii) The troughs had not been put into use after completion an indication that its acquisition was not for immediate use thus, inappropriate use of public funds.

In the circumstances, value on money on the projects could not be established.

## **3. Unbalanced and Late Approved Budget**

During the year under review the board approved a budget of Kshs.364,613,628 on 24 July, 2020 which was six (6) months after the required time set by Section 205(1) of the Public Finance Management (County Governments) Regulations, 2015. In addition, there was no documentary evidence to show that the County Executive Committee Member responsible for Water approved the budget and submitted it to the County Treasury for further approval. The approved expenditure budget of Kshs.364,613,628 differs with the final expenditure budget in the statement of comparison of budget and actual amounts of Kshs.272,022,907 resulting to unbalanced budget of Kshs.92,590,721. No explanation has been provided for the inconsistency between the two sets of documents.

Further, the statement of comparison of budget and actual amounts reflects original expenditure budget of Kshs.364,824,128 and final expenditure budget of Kshs.272,022,907 however, no adjustments were indicated for the varying amounts resulting to unreconciled variance of Kshs.92,805,221.

The statement of comparison of budget and actual amounts further reflects final receipts budget of Kshs.328,251,049 against final expenditure budget of Kshs.272,022,907 resulting to an unreconciled variance difference of Kshs.56,228,142.

In addition, the Company did not have in place vote control procedures such as a vote-book as required by Regulation 15(1) of the Public Finance Management (County Government) Regulations, 2015.

In the circumstances, the accuracy, legality and validity of the budget could not be confirmed.

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Overall 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. Weak Internal Control on Payment Vouchers**

The controls designed for ensuring effective administration of public funds were not followed. It was noted that vote book certificate on the payment vouchers did not indicate details of the approved estimate for the items, total expenditure commitments and the balance for an expenditure.

Weak internal controls systems may result to increase in controls and detection risks.

#### **2. Lack of Audit Committee**

The Management had not established an Audit Committee contrary to Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015 which requires County Government entities to establish Audit Committees in accordance with prescribed regulations to monitor the entities' governance processes, accountability processes and control systems, offer objective advice on issues concerning risk control

and governance and associated assurance and also follow up on the implementation of the recommendations of internal and external auditors.

In the circumstance, overall governance measures in the Company may not have been effective.

The Management was in breach of the Regulations.

### **3. Lack of Internal Audit Department**

During the year under review, the Company did not have functional Internal Audit Department in place as required by Section 155 of the Public Finance Management Act, 2012.

In the circumstance, risk management and the effectiveness of internal controls in place could not be confirmed.

### **4. Lack of a Fixed Asset Register**

Note 11 to the financial statements reflects a property, plant and equipment net book value of Kshs.278,856,296 as at 30 June, 2021 comprising of seven (7) classes of fixed assets. However, the Company failed to provide an updated fixed asset register to support the balances and details as follows:

- i) A separate sheet for each specific class of assets;
- ii) For standard assets, an asset register to indicate the financier, tag number, serial number, model number, date of delivery, payment voucher number and the acquisition value;
- iii) For land and buildings, a register to indicate the mode of acquisition, category of land, land registry number, certificate number, document of ownership held, size of land, acquisition date, registration date, encumbrances, planning status and the cost of acquisition;
- iv) For motor vehicles a register to indicate the financier, engine number, chassis number, tag number, year of purchase, payment voucher number and the acquisition value.

In the absence of an updated asset register, it was not possible to confirm the effectiveness of controls over fixed assets, status, accuracy, completeness and existence contrary to The National Treasury Circular and template, No. 5/2020 dated 25/02/2020.

The Management is therefore in breach of the circular.

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, I report based on my audit, that:

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

### **Responsibilities of Management and the Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to 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 the 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. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Company's policies and procedures may deteriorate.

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**14 July, 2022**

**Garissa Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

**STATEMENT OF PROFIT AND LOSS & OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2021**

|   | Note | 2020-2021<br>Kshs         | 2019-2020<br>Kshs         |
|---|------|---------------------------|---------------------------|
| <b>INCOME</b>                           |      |                           |                           |
| Income from operations                  | 4    | 303,621,811               | 437,360,360               |
| Other income                            | 4    | <u>226,972,125</u>        | <u>175,046,320</u>        |
| <b>TOTAL</b>                            |      | <b><u>530,593,936</u></b> | <b><u>612,406,680</u></b> |
| <b>EXPENDITURE</b>                      |      |                           |                           |
| Personnel Cost                          | 5    | 87,958,956                | 78,718,482                |
| Directors Emoluments                    | 6    | 1,380,000                 | 1,688,000                 |
| Administrative Expenses                 | 7    | 41,462,420                | 44,536,754                |
| Operating Expenditure                   | 8    | 129,124,432               | 175,294,956               |
| Finance Cost                            | 9    | 1,258,395                 | 2,021,512                 |
| Audit Fees                              | 10   | 233,856                   | 233,856                   |
| Depreciation Expenses                   | 11   | 52,161,730                | 14,534,766                |
| Project Costs                           | 19   | 196,635,159               | 145,371,362               |
| <b>TOTAL</b>                            |      | <b><u>510,214,948</u></b> | <b><u>462,399,688</u></b> |
| Surplus or Deficit from operation       |      | <u>20,378,988</u>         | <u>150,006,992</u>        |
| <b>Net surplus/Deficit for the year</b> |      | <b><u>20,378,988</u></b>  | <b><u>150,006,992</u></b> |

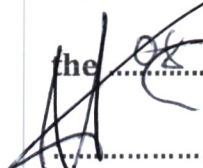
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**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021**

|                                     | Note | 2020-2021<br>Kshs         | 2019-2020<br>Kshs         |
|-------------------------------------|------|---------------------------|---------------------------|
| <b>ASSETS</b>                       |      |                           |                           |
| <b>Non-Current Assets</b>           |      |                           |                           |
| Property and Equipment              | 11   | 278,856,296               | 110,777,980               |
|                                     |      | <u>278,856,296</u>        | <u>110,777,980</u>        |
| <b>Current Assets</b>               |      |                           |                           |
| Trade and Other Receivables         | 12   | 638,350,620               | 767,105,309               |
| Cash and Cash Equivalents           | 13   | (10,417,431)              | (21,945,392)              |
|                                     |      | <u>627,933,189</u>        | <u>745,159,917</u>        |
| <b>Current Liabilities</b>          |      |                           |                           |
| Trade and Other payables            | 14   | 208,020,771               | 167,548,171               |
| Bank overdraft                      | 15   | -                         | 10,000,000                |
|                                     |      | <u>208,020,771</u>        | <u>177,548,171</u>        |
| Net Current Assets                  |      | 419,912,418               | 567,611,746               |
| <b>TOTAL ASSETS</b>                 |      | <u><u>698,768,714</u></u> | <u><u>678,389,726</u></u> |
| <b>EQUITY AND LIABILITIES</b>       |      |                           |                           |
| Share capital                       | 16   | 100,000                   | 100,000                   |
| Capital fund                        | 17   | 31,758,485                | 31,758,485                |
| Revenue Reserve                     | 18   | 666,910,229               | 646,531,241               |
|                                     |      | <u>698,768,714</u>        | <u>678,389,726</u>        |
| <b>Non-Current Liabilities</b>      |      | -                         | -                         |
| <b>TOTAL EQUITY AND LIABILITIES</b> |      | <u><u>698,768,714</u></u> | <u><u>678,389,726</u></u> |

The financial statements on pages 16-20 were approved for issue by the board of directors on

the 03 day of 03 2022

  
 Director

  
 Director

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**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021**

|                                     | <b>Share capital</b> | <b>Revenue reserve</b> | <b>Capital Fund</b> | <b>Total</b>       |
|-------------------------------------|----------------------|------------------------|---------------------|--------------------|
|                                     | <b>Kshs</b>          | <b>Kshs</b>            | <b>Kshs</b>         | <b>Kshs</b>        |
| <b>1<sup>st</sup> July 2019</b>     |                      |                        |                     |                    |
| As stated                           | 100,000              | 496,524,249            | 31,758,485          | 528,382,734        |
| Prior year adjustments (wstf)       | -                    | -                      | -                   | -                  |
| Adjusted Net Surplus for the year   | -                    | 150,006,992            | -                   | 150,006,992        |
|                                     |                      |                        |                     | -                  |
| <b>At 30<sup>th</sup> June 2020</b> | <b>100,000</b>       | <b>646,531,241</b>     | <b>31,758,485</b>   | <b>678,389,726</b> |
| <b>1<sup>st</sup> July 2020</b>     |                      |                        |                     |                    |
| As stated                           | 100,000              | 646,531,241            | 31,758,485          | 678,389,726        |
| Prior year adjustments (wstf)       | -                    | -                      | -                   | -                  |
| Adjusted Net Surplus for the year   | -                    | 20,378,988             | -                   | 20,378,988         |
|                                     |                      |                        |                     | -                  |
| <b>At 30<sup>th</sup> June 2021</b> | <b>100,000</b>       | <b>666,910,229</b>     | <b>31,758,485</b>   | <b>698,768,714</b> |

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## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

|  |      | Kshs<br><u>2,021</u>        | Kshs<br><u>2020</u>         |
|--|------|-----------------------------|-----------------------------|
| <b><u>Cashflow from operating activities</u></b>           | Note |                             |                             |
| Surplus for the year                                       |      | 20,378,988                  | 150,006,992                 |
| <b>Add back:</b>   |      |                             |                             |
| Depreciation   | 11   | 52,161,730                  | 14,534,766                  |
|  |      | <b><u>72,540,718</u></b>    | <b><u>164,541,758</u></b>   |
| <b>Adjustment for working capital:</b>                     |      |                             |                             |
| Decrease/Increase in Trade and other Receivables           | 12   | 168,038,846                 | (250,434,246)               |
| Increase/Decrease in Trade and other Payables              | 14   | (30,730,323)                | 45,311,487                  |
| <b>Net cash generated from operating activities</b>        |      | <b><u>137,308,524</u></b>   | <b><u>(205,122,759)</u></b> |
| <b><u>Cashflow from investing activities</u></b>           |      |                             |                             |
| Purchase of Property, Plant & Equipment                    | 11   | (161,122,246)               | (1,273,886)                 |
| <b>Net cash utilised in investing activities</b>           |      | <b><u>(161,122,246)</u></b> | <b><u>(1,273,886)</u></b>   |
| <b><u>Cashflow from financing activities</u></b>           |      |                             |                             |
| Bank Overdraft   |      | -                           | 10,000,000                  |
| <b>Net cash generated from financing activities</b>        |      | <b><u>-</u></b>             | <b><u>10,000,000</u></b>    |
| <b>Net(decrease)/ increase in cash and cash equivalent</b> |      | <b>48,726,996</b>           | <b>(31,854,887)</b>         |
| <b>Cash and Cash Equivalent as at 1.7. 2020</b>            |      | <b>15,769,644</b>           | <b>47,624,531</b>           |
| <b>Cash and Cash Equivalent as at 30.6. 2021</b>           |      | <b><u>64,496,640</u></b>    | <b><u>15,769,644</u></b>    |

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**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2021**

|                               | <b>Original Budget</b> | <b>Adjustments</b> | <b>Final Budget</b> | <b>Actual on comparable basis</b> | <b>Performance difference</b> |
|-------------------------------|------------------------|--------------------|---------------------|-----------------------------------|-------------------------------|
|                               | <b>2020-2021</b>       | <b>2020-2022</b>   | <b>2020-2023</b>    | <b>2020-2024</b>                  | <b>2020-2025</b>              |
| <b>REVENUE</b>                | <b>Kshs.</b>           | <b>Kshs.</b>       | <b>Kshs.</b>        | <b>Kshs.</b>                      | <b>Kshs.</b>                  |
| Income from operations        | 226,931,049            | -                  | 226,931,049         | 302,510,127                       | (75,579,078)                  |
| Other income from operations  | 1,320,000              | -                  | 1,320,000           | 1,111,684                         | 208,316                       |
| Other income                  | 100,000,000            | -                  | 100,000,000         | 226,972,125                       | (126,972,125)                 |
| <b>Total Income</b>           | <b>328,251,049</b>     | <b>-</b>           | <b>328,251,049</b>  | <b>530,593,936</b>                | <b>(202,342,887)</b>          |
|                               |                        |                    |                     |                                   | -                             |
| <b>EXPENDITURE</b>            |                        |                    |                     |                                   | -                             |
| Personnel Cost                | 82,487,196             | -                  | 82,487,196          | 87,958,956                        | (5,471,760)                   |
| Directors Emoluments          | 2,064,000              | -                  | 2,064,000           | 1,380,000                         | 684,000                       |
| Administrative Expenses       | 9,565,455              | -                  | 9,565,455           | 9,190,224                         | 375,231                       |
| Operating Expenditure         | 177,587,200            | -                  | 177,587,200         | 129,124,432                       | 48,462,768                    |
| Finance Cost                  | 85,200                 | -                  | 85,200              | 1,257,795                         | (1,172,595)                   |
| Audit Fees                    | 233,856                | -                  | 233,856             | 233,856                           | -                             |
| Capital expenditure           | 92,801,221             | -                  | 92,801,221          | 90,811,321                        | 1,989,900                     |
| <b>Total Expenditure</b>      | <b>364,824,128</b>     | <b>-</b>           | <b>272,022,907</b>  | <b>229,145,263</b>                | <b>42,877,644</b>             |
|                               | -                      |                    |                     |                                   |                               |
| <b>Surplus for the period</b> | <b>36,573,079</b>      | <b>-</b>           | <b>56,228,142</b>   | <b>301,448,673</b>                | <b>(245,220,531)</b>          |

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**NOTE 11**

| Cost or Valuation:                       | Land and Buildings | Computers | Equipment   | Furniture and Fittings | Motor Vehicles and Bikes | Pipeline Extensions | Boreholes  | Total       |
|--|--------------------|-----------|-------------|------------------------|--------------------------|---------------------|------------|-------------|
|  | Kshs               | Kshs      | Kshs        | Kshs                   | Kshs                     | Kshs                | Kshs       | Kshs        |
| At 01/07/2020                            | 695,642            | 2,038,607 | 83,554,881  | 1,786,464              | 106,855,459              | 18,546,114          | 26,729,538 | 240,206,706 |
|  |                    |           |             |                        |                          |                     |            | -           |
| Additions:                               | -                  | 239,800   | 16,546,795  | 130,000                | 53,555,460               | -                   | 20,339,266 | 90,811,321  |
|  |                    |           |             |                        |                          |                     |            | -           |
| Disposals                                | -                  | -         | -           | -                      | -                        | -                   | -          | -           |
|  |                    |           |             |                        |                          |                     |            | -           |
| Total as at 30/06/2021                   | 695,642            | 2,278,407 | 100,101,676 | 1,916,464              | 160,410,919              | 18,546,114          | 47,068,804 | 331,018,026 |
| <b>Net Book Value:</b>                   |                    |           |             |                        |                          |                     |            |             |
| As at 30th June 2020                     | 695,642            | 2,038,607 | 83,554,881  | 1,786,464              | 106,855,459              | 18,546,114          | 26,729,538 | 240,206,706 |
|  |                    |           |             |                        |                          |                     |            |             |
| Additions                                | -                  | 239,800   | 16,546,795  | 130,000                | 53,555,460               | -                   | 20,339,266 | 90,811,321  |
|  |                    |           |             |                        |                          |                     |            |             |
| As at 30th June 2021 Before depreciation | 695,642            | 2,278,407 | 100,101,676 | 1,916,464              | 160,410,919              | 18,546,114          | 47,068,804 | 331,018,026 |
|  |                    |           |             |                        |                          |                     |            |             |
| <b>DEPRECIATION:</b>                     | 2%                 | 33%       | 12.50%      | 12.50%                 | 20%                      | 10%                 | 10%        |             |
|  |                    |           |             |                        |                          |                     |            |             |

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|                             |                |                  |                   |                  |                    |                   |                   |                    |
|-----------------------------|----------------|------------------|-------------------|------------------|--------------------|-------------------|-------------------|--------------------|
| As at 01/07/2020            | 90,902         | 4,174,132        | 46,601,438        | 2,155,537        | 38,119,905         | 12,774,745        | 6,269,379         | 110,186,038        |
| Charge for the Year         | 13,913         | 751,874          | 12,512,710        | 239,558          | 32,082,184         | 1,854,611         | 4,706,880         | 52,161,730         |
| <b>Total Depreciation</b>   | <b>104,815</b> | <b>4,165,356</b> | <b>56,159,846</b> | <b>2,395,095</b> | <b>43,625,917</b>  | <b>14,629,357</b> | <b>10,976,259</b> | <b>162,347,768</b> |
| <b>Net Book Value:</b>      |                |                  |                   |                  |                    |                   |                   |                    |
| <b>As at 30th June 2020</b> | <b>695,642</b> | <b>2,038,607</b> | <b>83,554,881</b> | <b>1,786,464</b> | <b>106,855,459</b> | <b>18,546,114</b> | <b>26,729,538</b> | <b>240,206,706</b> |
| <b>As at 30th June 2021</b> | <b>681,729</b> | <b>1,526,533</b> | <b>87,588,967</b> | <b>1,676,906</b> | <b>128,328,736</b> | <b>16,691,502</b> | <b>42,361,923</b> | <b>278,856,296</b> |

## **NOTES TO THE FINANCIAL STATEMENTS**

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

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

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed.

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

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

### **2. Summary of significant accounting policies**

#### **a) Revenue recognition**

Revenue is recognised to the extent that it is probable that future economic benefits will flow to Garissa Water and Sewerage Company Ltd and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of Garissa Water and Sewerage Company Ltd's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of Garissa Water and Sewerage Company Ltd's activities as described below.

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

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

**b) Property, plant and equipment**

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

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

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

**c) Provisions**

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

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

➤ **Contingent liabilities**

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

➤ **Contingent assets**

The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the

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financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**d) Nature and purpose of reserves**

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

**e) Changes in accounting policies and estimates**

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

**f) Employee benefits**

➤ **Retirement benefit plans**

The company operates a defined contribution scheme for all full-time employees from July 1, 2011. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200.00 per employee per month.

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

➤ **Provision for staff leave pay**

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

**g) Cash and cash equivalents**

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

**h) Significant judgments and sources of estimation uncertainty**

➤ **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters

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available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

➤ **Useful lives and residual values**

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

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

➤ **Depreciation**

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

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

➤ **Disposal of property and equipment**

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

**i) Trade and other payables**

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future

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in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

**j) Exchange rate differences**

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

**k) Comparative figures**

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

**l) Subsequent events**

There have been no events subsequent to the financial year-end with a significant impact on the financial statements for the year ended June 30, 2021.

**3. In-kind contributions**

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

|  | <b>2020-2021</b>   | <b>2019-2020</b>   |
|--|--------------------|--------------------|
|  | <b>AMOUNT</b>      | <b>AMOUNT</b>      |
|  | <b>Kshs</b>        | <b>Kshs</b>        |
| <b>NOTE 4</b>                                    |                    |                    |
| <b>Income</b>                                    |                    |                    |
| Water sales during the year                      | 302,510,127        | 434,869,990        |
| Other income from operations                     | 1,111,684          | 2,490,370          |
| <b>Sub-Total</b>                                 | <b>303,621,811</b> | <b>437,360,360</b> |
| <b>Other Income</b>                              |                    |                    |
| WSTF - GGEP Harajab Water Project                | 13,055,173         | -                  |
| WSTF - GGEP Libahlow Water Project               | 10,977,863         | -                  |
| WSTF - GGEP Shebta-aad Water Project             | 12,574,477         | -                  |
| Grant-in Aid (GOK)                               | -                  | -                  |
| County Government of Garissa                     | 4,000,000          | -                  |
| World Bank WSDP Project                          | 161,533,119        | 135,046,320        |
| WSTF - UBSUP Project                             | -                  | -                  |
| WSTF - Conditional Liquidity Scheme Grant (CLSG) | 24,831,493         | -                  |

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|                  |                    |                    |
|------------------|--------------------|--------------------|
| <b>Sub-Total</b> | <b>226,972,125</b> | <b>135,046,320</b> |
| <b>Total</b>     | <b>530,593,936</b> | <b>572,406,680</b> |

**NOTE 5**

**Personnel costs**

|  |                   |                   |
|--|-------------------|-------------------|
| Salaries, Wages & Statutory deductions | 87,927,456        | 78,282,482        |
| Training and workshop                  | 31,500            | 431,000           |
| Staff Uniform                          | -                 | 5,000             |
| <b>Sub-Total</b>                       | <b>87,958,956</b> | <b>78,718,482</b> |

**NOTE 6**

**Directors Emoluments**

|                      |                  |                  |
|----------------------|------------------|------------------|
| Chairman's Honoraria | 960,000          | 800,000          |
| Directors Allowance  | 420,000          | 828,000          |
| <b>Sub-Total</b>     | <b>1,380,000</b> | <b>1,628,000</b> |

**NOTE 7**

**Administrative Expenses**

|                                      |                   |                   |
|--------------------------------------|-------------------|-------------------|
| Travelling and Accommodation         | 3,232,300         | 4,232,600         |
| Stationery and Printing              | 823,738           | 278,100           |
| Professional and Legal Services      | -                 | 250,000           |
| Postal /telephone/courier serv.      | 1,611,571         | 1,069,572         |
| Insurance (motor Vehicle& Bikes)     | -                 | 9,000             |
| Electricity-Administration           | 345,962           | 159,076           |
| Promotion and Advertisement          | 387,828           | 890,588           |
| Staff Welfare and Utility            | 2,161,100         | 2,151,472         |
| WASCA Sports                         | -                 | -                 |
| WASPA                                | 320,933           | -                 |
| Corporate Social Responsibility      | -                 | -                 |
| Provision for bad and doubtful debts | 32,272,196        | 34,976,346        |
| Rent                                 | 300,000           | 420,000           |
| National Land Commission Fees        | 6,792             | -                 |
| <b>Sub-Total</b>                     | <b>41,462,420</b> | <b>44,436,754</b> |

**NOTE 8**

**Operating Expenditure**

|   |            |            |
|---|------------|------------|
| Operation and Maintenance                     | 30,933,772 | 71,186,520 |
| Electricity                                   | 70,499,909 | 58,364,298 |
| Transport operations and maintenance          | 4,051,329  | 5,147,767  |
| Maintenance of plants, Equipment & Structures | 13,941,777 | 21,535,530 |
| Security Services                             | 1,537,514  | 1,656,480  |

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|                  |                    |                    |
|------------------|--------------------|--------------------|
| Chemicals        | 4,789,000          | 14,244,080         |
| NWSB             | -                  | -                  |
| Municipal Levy   | -                  | -                  |
| WASREB           | 1,521,131          | 1,360,281          |
| WARMA            | 1,850,000          | 1,800,000          |
| <b>Sub-Total</b> | <b>129,124,432</b> | <b>175,294,956</b> |

**NOTE 9**

**Finance Cost**

|                  |                  |                  |
|------------------|------------------|------------------|
| Bank charges     | 1,258,395        | 2,021,512        |
| <b>Sub-Total</b> | <b>1,258,395</b> | <b>2,021,512</b> |

**NOTE 10**

**Provision for audit fees**

|                                  |                |                |
|----------------------------------|----------------|----------------|
| Provision for the year 2020-2021 | 233,856        | 233,856        |
| <b>Sub-Total</b>                 | <b>233,856</b> | <b>233,856</b> |

**NOTE 12**

**Trade and other Receivables**

|                  |                    |                    |
|------------------|--------------------|--------------------|
| Trade Debtors    | 638,138,780        | 804,079,466        |
| Share receivable | 100,000            | 100,000            |
| imprest          | -                  | 2,210,000          |
| Prepayment       | 111,840            | -                  |
| <b>Sub-Total</b> | <b>638,350,620</b> | <b>806,389,466</b> |

For the year 2020-2021, a general provision of 5% has been made

**NOTE 13**

**Cash and cash Equivalent**

|  |              |             |
|--|--------------|-------------|
| Revenue Accounts - FCB (2976982901)      | 1,138,644    | 543,369     |
| Development Account - KCB (1107767741)   | 6,051,617    | 127,473     |
| Reserve Account - equity (0580297448463) | -            | -           |
| General Account - FCB (2976982903)       | (28,544,213) | (1,551,198) |
| Reserve Account -FCB (2976982902)        | -            | 46,438      |
| Cash in Hand                             | -            | -           |
| Cash in M-pesa (880600)                  | 293,502      | -           |
| Post Bank Account (0744130011397)        | 333,461      | 364,938     |
| Bulla Noor Project                       | 2,039        | -           |
| Drought Emergency Project                | 993          | -           |
| WSTF - GGEP Harajab Water Project        | 144,493      | 472,922     |
| WSTF - GGEP Libahlow Water Project       | 1,829,385    | 14,228      |
| WSTF - GGEP Shebta-aad Water Project     | 8,262,035    | 472,922     |

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|                            |                     |                |
|----------------------------|---------------------|----------------|
| WSTF - UBSUP Project       | 51,025              | -              |
| WSDP Account - Equity      | 4,435               | -              |
| WSTF CLSG Account - Equity | 15,152              | -              |
| <b>Sub-Total</b>           | <b>(10,417,431)</b> | <b>491,092</b> |

**NOTE 14**

**Trade and other Payable**

|                              |                    |                    |
|------------------------------|--------------------|--------------------|
| Trade Creditors              | 104,456,657        | 73,523,924         |
| Provision for Audit fees     | 233,856            | 233,856            |
| PAYE                         | 30,136,409         | 26,968,735         |
| NITA                         | 70,900             | 46,300             |
| NSSF                         | 68,400             | 150,200            |
| NHIF                         | 117,150            | 114,500            |
| HELB                         | 3,655              | 3,655              |
| Salaries Accrued             | 3,646,859          | 5,115,654          |
| KUWASE                       | 1,459,430          | 1,007,035          |
| Equity Bank Check-off        | 275,933            | 274,241            |
| Co-op Bank Check-off         | 136,048            | 295,834            |
| Platinum Credit Check-off    | 345,699            | 488,188            |
| Pension Contribution Accrued | 26,182,801         | 18,939,206         |
| WASREB Accrued               | 10,936,477         | 9,415,346          |
| WARMA Accrued                | 10,215,000         | 8,915,000          |
| NWSB Accrued                 | 12,008,574         | 12,008,574         |
| Municipal Levy Accrued       | 7,726,923          | 7,726,923          |
| Meter Deposits               | -                  | 73,523,924         |
| <b>Sub-Total</b>             | <b>208,020,771</b> | <b>238,751,094</b> |

**NOTE 15**

|                 |   |                   |
|-----------------|---|-------------------|
| General Account | - | 10,000,000        |
| Revenue Account |   |                   |
| Bank overdraft  | - | <b>10,000,000</b> |

**NOTE 16**

**Share Capital**

|                              |                |                |
|------------------------------|----------------|----------------|
| Authorised 5000@kshs 20 each | 100,000        | 100,000        |
| Issued 5000@kshs 20 each     |                |                |
| Share Capital not paid       | <b>100,000</b> | <b>100,000</b> |

**NOTE 17**

**Capital Fund**

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

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

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**NOTE 18**

**Revenue reserves**

|                              |                    |                    |
|------------------------------|--------------------|--------------------|
| Balance at beginning of year | 646,531,241        | 496,524,249        |
| Net surplus for the year     | 20,378,988         | 150,006,992        |
| Balance at end of year       | <b>666,910,229</b> | <b>646,531,241</b> |

**NOTE 19**

**HARAJAB WATER & SANITATION PROJECT**

|  |                   |                |
|--|-------------------|----------------|
| Project Design   | -                 | 91,237         |
| Environmental Impact Assessment                          | -                 | -              |
| Advertisement  | -                 | 39,680         |
| Borehole Drilling  | 273,910           | -              |
| Borehole hybrid equipping & protection works             | 4,066,203         | -              |
| 50M <sup>3</sup> Elevated Steel Tank on 10M Tower        | 1,870,064         | -              |
| 3100m Rising main & Distribution pipeline                | 853,069           | -              |
| Solar system control room                                | 83,103            | -              |
| 2No. In-situ Water kiosks with 5,000 litres storage tank | 789,919           | -              |
| Borehole fencing compound with concrete posts            | 2,027,691         | -              |
| 2 No. livestock trough                                   | 580,216           | -              |
| 2No. 2 door VIP Latrines                                 | 557,851           | -              |
| Branding & Sign posts                                    | 104,976           | -              |
| Project Administration                                   | -                 | 50,000         |
| Project supervision, Monitoring and Contract Management  | 1,156,600         | 842,212        |
| 10% Contingency  | 1,020,000         | -              |
| <b>Sub-total</b>   | <b>13,383,601</b> | <b>931,892</b> |

**LIBAHLOW WATER & SANITATION PROJECT**

|   |           |           |
|---|-----------|-----------|
| Project Design                                    | -         | 91,238    |
| Environmental Impact Assessment                   | -         | -         |
| Advertisement                                     | -         | 39,680    |
| Borehole Drilling                                 | 360,850   | 2,800,000 |
| Borehole hybrid equipping & protection works      | -         | 1,214,898 |
| 50M <sup>3</sup> Elevated Steel Tank on 10M Tower | 696,780   | -         |
| 3100m Rising main & Distribution pipeline         | 3,915,321 | -         |
| Solar system control room                         | 194,960   | -         |
| 2No. Water kiosks with 5,000 litres storage tank  | 394,543   | -         |
| 3 No. livestock trough                            | 3,039,964 | -         |
| Branding & Sign posts                             | 130,950   | -         |

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|   |                    |                    |
|---|--------------------|--------------------|
| Project Administration                                  | -                  | 4,370              |
| Project supervision, Monitoring and Contract Management | 429,338            | -                  |
| <b>Sub-total</b>  | <b>9,162,706</b>   | <b>4,058,948</b>   |
| <b>SHEBTA-AAD WATER &amp; SANITATION PROJECT</b>        |                    |                    |
| Project Design  | 44,210             | 91,238             |
| Environmental Impact Assessment                         | -                  | -                  |
| Advertisement   | -                  | 39,680             |
| Borehole Drilling                                       | 1,073,790          | 2,000,000          |
| Borehole hybrid equipping                               | 1,040,417          | 1,200,000          |
| Solar system control room                               | 470,682            | -                  |
| 3No. 2 door VIP Latrines                                | 730,857            | -                  |
| Project Commissioning                                   | 87,300             | -                  |
| Project Administration                                  | -                  | 3,720              |
| O&M tools & Equipment                                   | -                  | -                  |
| Project supervision, Monitoring and Contract Management | 889,350            | 500,560            |
| <b>Sub-total</b>  | <b>4,336,606</b>   | <b>3,743,960</b>   |
| <b>WSDP PROJECT</b>                                     |                    |                    |
| Domestic travel and subsistence                         | 2,951,650          | -                  |
| Foreign travel & subsistence                            | -                  | -                  |
| printing & advertising                                  | 39,300             | -                  |
| Hospitality supplies & services                         | 438,000            | -                  |
| Civil works   | 96,551,580         | -                  |
| Office consumables                                      | -                  | -                  |
| Security  | -                  | -                  |
| Procurement of vehicles                                 | 52,099,470         | 91,431,130         |
| Procurement of Plastic tanks                            | -                  | 14,700,000         |
| Vehicle maintenance                                     | 496,134            | -                  |
| Insurance costs   | 2,746,192          | -                  |
| Bank charges  | 10,450             | -                  |
| Office equipment  | -                  | -                  |
| Office furniture  | -                  | -                  |
| Others  | 10,944,000         | -                  |
| <b>Sub-total</b>  | <b>166,276,776</b> | <b>106,131,130</b> |
| <b>UBSUP PROJECT</b>                                    |                    |                    |
| Personnel (Social Animators)                            | 402,600            | -                  |
| Project Administration                                  | 309,130            | -                  |
| Social Marketing Package                                | -                  | -                  |
| Training of DTF Operators                               | 31,000             | -                  |
| UBSUP Office Equipment                                  | -                  | -                  |
| Subsidies   | 2,340,000          | -                  |
| DTF-50 Infrastructure                                   | 392,740            | -                  |
| <b>Sub - Total</b>                                      | <b>3,475,470</b>   | <b>-</b>           |
| <b>Total Project Costs</b>                              | <b>196,635,159</b> | <b>114,865,930</b> |

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**APPENDIX I: PROJECTS IMPLEMENTED BY THE ENTITY**

| <b>Project Title</b>                  | <b>Project Number</b>                  | <b>Donor</b> | <b>Period/Duration</b> | <b>Separate Donor Reporting (Yes/No)</b> | <b>Consolidated in this Financial Statements (Yes/No)</b> |
|---------------------------------------|--|--------------|------------------------|--|---|
| 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/LIBAHLOW/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                          |  | WORLD BANK   | 4YRS                   | YES                                      | YES   |
| UBSUP PROJECT                         | 02HS/NWWDA/GARISSA/058                 | WSTF         | 6 MONTHS               | YES                                      | YES   |

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**Status of Projects completion**

| <b>Total Project Cost</b> | <b>Total Expended to date</b> | <b>Completion % to date</b> | <b>Budget</b> | <b>Actual</b> | <b>Sources of funds</b> |
|---------------------------|-------------------------------|-----------------------------|---------------|---------------|-------------------------|
| 19,258,438                | 19,113,945                    | 99                          | 19,258,438    |               | WSTF                    |
| 23,036,034                | 21,206,649                    | 99                          | 23,036,034    |               | WSTF                    |
| 19,115,465                | 10,853,430                    | 99                          | 19,115,465    |               | WSTF                    |
| 1,500,000,000             | 166,276,776                   | 11                          | 166,281,212   |               | WORLD BANK              |
| 17,214,223                | 3,896,725                     | 23                          | 17,214,223    |               | WSTF                    |

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**APPENDIX II: INTER-ENTITY TRANSFERS**

| <b>a</b> | <b>Recurrent Grants</b>   |                     |                   |                |
|----------|---------------------------|---------------------|-------------------|----------------|
|          |                           | Bank Statement Date | Amount(Kshs)      | Financial Year |
| 1        | Garissa County            | 02/07/20            | 4,000,000         | 2020-2021      |
|          |                           | <b>Total</b>        | <b>4,000,000</b>  |                |
| <b>b</b> | <b>Development Grants</b> |                     |                   |                |
|          |                           | Bank Statement Date | Amount(Kshs)      | Financial Year |
|          | WSTF Grant                | 31/03/21            | 24,831,493        | 2020-2021      |
|          |                           | <b>Total</b>        | <b>24,831,493</b> |                |
| <b>c</b> | <b>Direct Payments</b>    |                     |                   |                |
|          |                           | Bank Statement Date | Amount(Kshs)      | Financial Year |
|          |                           | <b>Total</b>        | -                 |                |
| <b>d</b> | <b>Donor Receipts</b>     |                     |                   |                |
|          |                           | Bank Statement Date | Amount(Kshs)      | Financial Year |
|          |                           | <b>Total</b>        | -                 |                |
|          |                           | <b>GRAND TOTAL</b>  | <b>28,831,493</b> |                |

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

| Name                      | Date received as per bank statement | Nature: Recurrent/Development | Amount (Kshs) | Statement of Financial Performance | Capital Fund | Deferred Income | Receivables | Total             |
|---------------------------|-------------------------------------|-------------------------------|---------------|------------------------------------|--------------|-----------------|-------------|-------------------|
| Garissa County Government | 02/07/20                            | Recurrent                     | 4,000,000     |                                    |              |                 |             | 4,000,000         |
| WSTF Grant                | 31/03/21                            | Recurrent                     | 24,831,493    |                                    |              |                 |             | 24,831,493        |
|                           |                                     |                               |               |                                    |              |                 |             |                   |
|                           |                                     |                               |               |                                    |              |                 |             |                   |
|                           |                                     |                               |               |                                    |              |                 |             |                   |
|                           |                                     |                               |               |                                    |              |                 |             |                   |
|                           |                                     |                               |               |                                    |              |                 |             |                   |
|                           |                                     |                               |               |                                    |              |                 |             |                   |
| <b>Total</b>              |                                     |                               |               |                                    |              |                 |             | <b>28,831,493</b> |