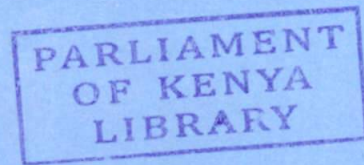


REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**



**OF**

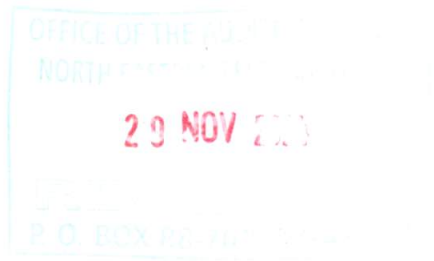
**THE AUDITOR-GENERAL**

**ON**

**GARISSA WATER AND SEWERAGE  
COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2024**

PAPERS LAID	
DATE	18/02/2026
TABLED BY	W. Legua
COMMITTEE	_____
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**GARISSA WATER AND SEWERAGE COMPANY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2024**

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

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**1. Acronyms and Glossary of Terms**

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

## **Garissa Water and Sewerage Company Ltd.**

### **Annual Report and Financial Statements for the year ended June 30, 2024**

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## **2. Key Entity Information**

### **Background information**

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

### **Principal Activities**

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

### **Directors**

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

<b>Name</b>	<b>Position</b>	<b>Date Appointed</b>
1. Mr. Mohamed Dahir Weyrah	Chairman	1 <sup>st</sup> February 2022
2. Ms Naima Abdinasir Salat	Vice Chair	1 <sup>st</sup> February 2022
3. Mr. Osman Mohamed Barkatle	Member	1 <sup>st</sup> February 2022
4. Ms. Jane Akoth Okalo	Member	1 <sup>st</sup> February 2022
5. Mr. Ismail Daud	Member	1 <sup>st</sup> February 2022

### **Company Secretary**

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

### **Corporate Headquarters**

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

### **Corporate Contacts**

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

**Corporate Bankers**

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

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

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






**Independent Auditor**

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

**Principal Legal Advisers**

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

3. The Board of Directors

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

**Garissa Water and Sewerage Company Ltd.**

**Annual Report and Financial Statements for the year ended June 30, 2024**

6.	 A portrait photograph of Mr. Mohamed Mohamud Dolal, a man with short dark hair, wearing a white collared shirt. He is standing outdoors with a yellow wall and some greenery in the background.	<p><b>Board Secretary:</b> Mr Mohamed Mohamud Dolal</p>
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4. Key Management Team



MOHAMED MOHAMUD DOLAL  
**Managing Director (M.D).**  
MBA (Public Administration & Management)



CHRISTOPHER WAHOME KAMAU  
**Technical Services Manager.**  
BSC Water and Environment



MOHAMED ABDULLAHI SUTHEY  
**Finance Manager.**  
Degree in Commerce (Finance Option)  
Certified Public Accountant (CPAK)  
Member of the Institute of Certified Public Accountants of  
Kenya (ICPAK)

## **5. Chairman's Statement**

### **Dear shareholders,**

I am delighted to present the annual report and financial statement for the year ended 30th June 2024. The Company has had numerous challenges in the financial year that resulted from, notwithstanding, the heavy rains that occurred between Nov and Dec 2023 resulting in heavy floods that prevented access and operations at our water intake plant. The situation significantly hampered production and supply thus lowering revenues. Despite, these challenges there was a significant improvement in the provision of water and sewer services compared to the previous financial year.

### **Water sector**

Following the enactment of the Water Act of 2002 which called for a series of reform measures to address weaknesses in the sector, Garissa Water and Sewerage Company has contributed to the achievement of these reforms by providing quality services of water and sanitation in a commercialised manner and also increasing community participation in the management of water resources and provision of water supplies within. With devolution, Garissa Water and Sewerage Company Ltd., the County Government's role in water provision cannot be overemphasised. 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 economic fluctuations, our maintenance and operating costs increased due to inflation and salary adjustments. Poor infrastructure in the supply areas was a major cause of high maintenance costs as the vehicles and motorcycles kept breaking down often. Additionally, water tariffs are reviewed by the government and after some time, the rate of inflation keeps on rising every year, and this never made it easy to generate enough revenue to match the increased cost of operation. All these have forced the company to employ a high degree of efficiency in managing our resources to minimize costs. As mentioned earlier, the impact of fluctuations in the operating environment never made our operations easy but there was a slight decrease in the company's income as compared to the previous year. Also noted is the increased power bills and chemical cost which initially was being financed by the National Government but later left to the Company, this consumed the Company's reserve hence more funds should be availed to cater for assets renewal and meet creditors obligation as and when they fall due.

### **Challenges**

#### **Human Resources**

Our employees are the most valued asset and the Company is continuing to assess its staffing requirements. Customer care, unaccounted-for water, water quality monitoring and evaluation and billing system remain major challenges to our staff. Through capacity building, staff are being trained to ensure that all these challenges are overcome. Additionally, our staff are being motivated in various ways for higher performance. To increase efficiency and accuracy in staff information management, the company is in the process of acquiring a new payroll system that is more elaborate and conclusive. The new system will facilitate the timely production of accurate reports and data for staff.

#### **Non-revenue Water**

Non-revenue water remains a major challenge facing the company. Aged and corroded pipes, vandalism, high pressure, illegal connections, meter tempering by customers and flat rates contribute majorly to the above. Due to its adverse effect on our revenue, the company is undertaking 100% metering, enforcing fully the penalties issued by WASREB to reduce the commercial losses and the

## **Garissa Water and Sewerage Company Ltd.**

### **Annual Report and Financial Statements for the year ended June 30, 2024**

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establishment of the Non-Revenue Water Committee with its TOR and budget line that is expected to identify and implement the strategies for the Non-revenue water reduction.

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

#### **Future Outlook**

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

#### **Appreciation**

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

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

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



**Mr Mohamed Dahir Weyrah**  
**Chairman**

## **6. Report Of the Managing Director**

### **General overview**

During the year under review; 2023/24, strategies aimed at securing adequate water supply, expanding water access to the residents, improving the quality of supply and service to our customers, as well as financial performance took the centre stage of our operations.

### **Company performance**

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

We wish to thank the County Government for its assistance in the payment of our electricity bills. There was a slight increase in income as compared to last year.

### **Human resource**

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



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

**Garissa Water and Sewerage Company Ltd.**

**Annual Report and Financial Statements for the year ended June 30, 2024**

**7.Statement Of Performance Against Predetermined Objectives for FY 2023/2024**

During the year under review;2023/2024, the revenue decreased as well as the expenditure. However, water and sanitation infrastructure are a key priority for the Company to meet its vision. The existing infrastructure is in dire need of rehabilitation. To achieve coverage targets, new infrastructure will be developed especially focusing on underserved areas and ensuring water sufficiency and sewerage network coverage. Financial sustainability is critical for the Company in ensuring continued service delivery. This will require the Company to mobilize sufficient external and internal resources to fund its recurrent and investment budgets. It will develop and implement strategies to ensure it can meet its operational costs in line with the sector benchmarks and attain commercial viability. These strategic pillars are as follows:

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

**Pillar 2:** Improve financial and operational sustainability

**Pillar 3:** Enhance customer focus and experience

**Pillar 4:** Strengthen organizational structures and operational processes

**Pillar 5:** Strengthen people and communication systems

The Company develops its annual work plans based on the above 5 pillars. Assessment of the Board’s performance against its annual work plan is done every quarter. The Company achieved its performance targets set for the FY 2023/2024 period for its 5 strategic pillars as indicated below:

<b>Strategic Pillar</b>	<b>Objective</b>	<b>Key Performance indicators</b>	<b>Activities</b>	<b>Achievements</b>
Pillar 1:	Increase access to clean and safe drinking water and sanitation services	<ul style="list-style-type: none"><li>• Coverage of the Service Area</li></ul>	<ul style="list-style-type: none"><li>• Increase water coverage from 64% in the year 2021 to 100% coverage by 2024.</li><li>• Increase sewerage coverage from 40% to 50% coverage by 2024.</li><li>• Increase water production volume from 10,000m3 /day to 20,000m3 /day.</li></ul>	<ul style="list-style-type: none"><li>• Water coverage is currently at 65%</li><li>• Sewer coverage is currently at 45%</li><li>• Water production volume is currently at 16,000m3 /day.</li></ul>

**Garissa Water and Sewerage Company Ltd.**

**Annual Report and Financial Statements for the year ended June 30, 2024**

Pillar 2:	Improve financial and operational sustainability	<ul style="list-style-type: none"> <li>• Water Service Coverage</li> <li>• Collection Efficiency</li> <li>• Hours of Supply</li> <li>• Unit Operation Cost</li> </ul>	<ul style="list-style-type: none"> <li>• Increase O&amp;M cost coverage from 50%-year 2021 to 120% by 2024.</li> <li>• Improve collection efficiency from 54 %- year 2021 to 95% by 2024.</li> <li>• Increase revenue collection from Kshs 10 million in 2021 to Kshs 25 million per month by 2024.</li> <li>• Increase billing efficiency from 60 %-year 2019 to 100% by 2024.</li> <li>• Reduce NRW from 42 %-year 2019 to 25% by 2024.</li> </ul>	<ul style="list-style-type: none"> <li>• O&amp;M cost coverage is currently at 62%</li> <li>• collection efficiency is currently at 65%</li> <li>• revenue collection is currently at 16 million</li> <li>• billing efficiency is currently at 65%</li> <li>• NRW is currently at 39%</li> </ul>
Pillar 3:	Enhance customer focus and experience	<ul style="list-style-type: none"> <li>• Metering ratio</li> <li>• Water Affordability</li> <li>• Unaccounted for Water</li> <li>• Hours of Supply</li> </ul>	<ul style="list-style-type: none"> <li>• Increase customer satisfaction level from 65%-year 2019 to 95% by 2024.</li> <li>• Achieve WHO and KEBs water and wastewater standards.</li> <li>• Increases hours of supply from 22 hours year 2021 to 23-hour years in 2024</li> <li>• Develop and implement consumer engagement strategies.</li> </ul>	<ul style="list-style-type: none"> <li>• The Company is in the process of acquiring a new tariff that is pro-poor and customer-friendly.</li> </ul>
Pillar 4:	Strengthen organizational structures and operational processes		<ul style="list-style-type: none"> <li>• Develop workplace policies and standard operations manuals.</li> <li>• Asset development.</li> <li>• Improve work</li> </ul>	<ul style="list-style-type: none"> <li>• The Company, with the help of the World Bank, is in the process of acquiring new software under</li> </ul>

**Garissa Water and Sewerage Company Ltd.**

**Annual Report and Financial Statements for the year ended June 30, 2024**

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

**8. Corporate Governance Statement**

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

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

During the year under review; the company recorded a turnover of Kshs769,505,864 and had a total cost of Kshs. 611,614,074 resulting in a surplus of Kshs. 157,891,790. This included a Garissa County Government Grant of Kshs 54,197,628 and various project income for Kshs. 417,119,657 and project expenditure of Kshs. 287,258,108. This project did not belong to us, we were the implementing agency.

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

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

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

## **10. Environmental And Sustainability Reporting**

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

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

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

GAWASCO's strategic goals are as follows;

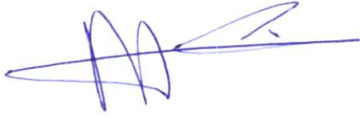
- 1. Build harmonious relationships with the local communities.** This will ensure that the company avoids conflicts that could be a hindrance to the successful implementation of the CSR plans.
- 2. The Capacity Building for staff on Corporate Social Responsibility (CSR) issues.** Employees are empowered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

**Garissa Water and Sewerage Company Ltd.**

**Annual Report and Financial Statements for the year ended June 30, 2024**

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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**

**11. Report Of the Directors**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024, 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, 2024, are set out on pages 1 to 5.

**Auditors**

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



By Order of the Board  
Mohamed Dahir Weyrah

## **12. Statement Of Directors' Responsibilities**

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

The Directors are responsible for the preparation and presentation of Garissa Water and Sewerage Company Limited's financial statements, which give a true and fair view of the state of affairs of the Company for and as of the end of the financial year ended on June 30, 2024. This responsibility includes:

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

The Directors accept responsibility for Garissa Water and Sewerage Company Limited's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and the manner required by the PFM Act and the State Corporations Act. The Directors believe that Garissa Water and Sewerage Company Limited's financial statements give a true and fair view of the state of the company's transactions during the financial year that ended June 30, 2024, 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 Report and Financial Statements for the year ended June 30, 2024**

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**Approval of the financial statements**

Garissa Water and Sewerage Company Limited's financial statements were approved by the Board on \_\_\_\_\_ 2024 and signed on its behalf by:



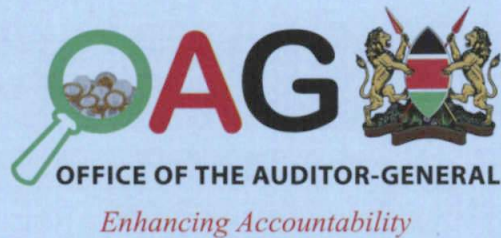
.....  
**Mohamed Dahir Weyrah**  
**Chairperson of the Board**



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

# REPUBLIC OF KENYA

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Email: 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, 2024

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### PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Adverse Opinion is issued when the Auditor-General determines that the financial statements are materially misstated and are not fairly presented in accordance with the applicable financial reporting framework. The Report on the Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

### REPORT ON THE FINANCIAL STATEMENTS

#### **Adverse Opinion**

I have audited the accompanying financial statements of Garissa Water and Sewerage Company Limited set out on pages 1 to 45, which comprise of the statement of financial

position as at 30 June, 2024 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations 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, in all material respects, the financial position of Garissa Water and Sewerage Company Limited as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and do not comply with the Water Act, 2016 and the Public Finance Management Act, 2012.

## **Basis for Adverse Opinion**

### **1.0 Revenue**

The statement of profit or loss and other comprehensive income reflects other income of Kshs.464,759,508, as disclosed in Note 7. However, the following unsatisfactory matters were noted:

#### **1.1 Unsupported Income from County Government**

Included in the other income of Kshs.464,759,508 is Kshs.54,197,628 in respect of other income from the County Government. However, the amount was not supported by any document to confirm the actual transfer from the County Government to the Company.

In the circumstances, the accuracy and completeness of other income of Kshs.54,197,628 could not be confirmed.

#### **1.2 Failure to Bill all Customers**

The statement of profit or loss and other comprehensive income reflects operating revenue of Kshs.304,746,356. However, review of the income records revealed that the number of customers served by the Company was 20,519 out of which only 12,615 or 61% were billed leaving 7,904 metered customers not billed, resulting in loss of revenue. In addition, the Company was using expired water tariffs approved on 14 May, 2010 which were expected to have been reviewed on June, 2012 for further adjustment as per Gazette Notice No.5321, Vol. CXII – No.49, page 1724.

In the circumstances, the accuracy and completeness of operating revenue of Kshs.304,746,356 could not be confirmed.

## **2.0 Unsupported Trade Receivables**

The statement of financial position reflects trade and other receivables balance of Kshs.991,279,622 as disclosed in Note 17 to the financial statements. However, Management did not maintain an updated receivables ledger to disclose the balance brought forward, amount accrued during the year, payments received and balance carried forward. In addition, a breakdown indicating gross trade receivables was not provided during the audit.

In the circumstances, the accuracy and completeness of trade and other receivables balance of Kshs.991,279,622 could not be confirmed.

## **3.0 Undisclosed Meter Deposits**

The statement of financial position reflects the trade and other payables balance of Kshs.272,259,765, as disclosed in Note 23 to the financial statements. The Company utilizes the tariff structure outlined in Gazette Notice No. 5321 of 14 May, 2010, which requires water deposits for the various connection types: Domestic (Kshs. 2,500), Kiosk (Kshs.5,000), Commercial (Kshs.25,000), and Industry (Kshs.50,000). As of 30 June, 2024, the Company had a total of twenty thousand, five and nineteen (20,519) customer connections, with twelve thousand, six hundred and fifteen (12,615) of these metered. However, the statements of financial position did not disclose payables in respect of customers deposits.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.272,259,765 could not be confirmed.

## **4.0 Cash and Cash Equivalents**

The statement of financial position reflects cash and cash equivalents balance of Kshs.123,887,260 and as disclosed in Note 18 to the financial statements. However, the following unsatisfactory matters were noted:

### **4.1 Unsupported Cash and Cash Equivalents Balance**

Included in cash and cash equivalents balance of Kshs.123,887,260 is Kshs.5,694,938 for one (1) bank account that was not supported by cash books, bank statements, bank reconciliation statements or a Board of Survey report.

In the circumstances, the accuracy, and completeness of cash and cash equivalents balance of Kshs.5,694,938 could not be confirmed.

### **4.2 Overdrawn (Negative) Cash Book Balance**

Included in the cash and cash equivalents are balances for three (3) accounts with negative balances of Kshs.21,078, Kshs.4,511,413 and Kshs.5,694,938, all totaling to Kshs.10,227,429. Offsetting of cash and cash equivalents by a credit balance is contrary to paragraph 48 of the International Public Sector Standards (IPSAS) 1 on presentation of

financial statements, which requires that assets and liabilities, and revenue and expenses, shall not be offset unless required or permitted by an IPSAS.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.123,887,260 could not be confirmed.

### **5.0 Unsupported Capital Fund**

The statement of financial position reflects capital fund of Kshs.31,758,485 as disclosed in Note 20 to the financial statements. However, the balance includes fixed assets of Kshs.11,969,799, inherited debtors of Kshs.21,351,302 and inherited creditors of Kshs. (1,562,616) which were not supported.

In the circumstances, the accuracy and completeness of the capital fund balance of Kshs.31,758,485 could not be confirmed.

### **6.0 Failure to Update Fixed Asset Register**

The statement of financial position reflects a property, plant, and equipment (PPE) net book value of Kshs.180,764,600, as disclosed in Note 16 to the financial statements. Included in the balance is a net book value of Kshs.65,704,312, Kshs.12,168,105 and Kshs.38,965,946 in respect of motor vehicles, pipeline extensions and boreholes, respectively. However, the asset register reflected a nil net book value for motor vehicles and pipeline extensions and Kshs.17,759,241 for boreholes, resulting in an unexplained variance of Kshs.99,079,122. Further, the asset register did not disclose the number of motor vehicles owned, location, their registration numbers, make, model and values.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.180,764,600 could not be confirmed.

### **7.0 Irregular Variation of Contract Price – Consultancy Services**

Audit review of Contract No. KE-GAWASCO-67422-CS-QCBS for consultancy services, signed on 15 February, 2021, revealed that the original contract price was Kshs.132,988,162 (inclusive of taxes), with a stipulated duration of thirty (30) months from 8 March, 2021 to 8 September, 2023. However, the contract period was extended by a cumulative 22.8 months, comprising a 10.8-month extension for works completion (from 9 September, 2023 to 31 July, 2024) and an additional 12 months for the Defects Liability Period (DLP) (from 1 August, 2024 to 31 July, 2025). This extension led to a price variation of Kshs.121,271,042, bringing the total contract value to Kshs.254,259,204 or 91% of the original contract price. This was contrary to Section 139(4) of the Public Procurement and Asset Disposal Act, 2015 which provides that any variation of a contract shall only be considered after twelve (12) months from the date of signing the contract and shall only be considered if the following are satisfied (e) the cumulative value of all contract variations does not result in an increment of the total contract price by more than twenty-five per cent (25%) of the original contract price.

In the circumstances, irregular variation of the contract may have resulted in loss of Kshs.88,024,002.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Garissa Water and Sewerage Company Limited Management in accordance with ISSAI 130 on the 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.

## **Emphasis of Matter**

### **Budget and Budgetary Control**

The statement of comparison of budgets and actual amounts reflects the final receipts budget and actual on a comparable basis of Kshs.395,155,484 and Kshs.769,505,864 respectively, resulting in an over-funding of Kshs.374,350,380 or 95% of the budget. Similarly, the Fund spent Kshs.612,007,933 against actual receipts of Kshs.769,505,864 resulting in an under-utilization of Kshs.157,497,931 or 20%.

My opinion is not modified in respect of this matter.

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Adverse Opinion, I have determined that there are no other key audit matters to communicate in my report.

## **Other Matter**

### **1.0 Stalled Projects**

The statement of financial position reflects a property, plant and equipment (PPE) net book value of Kshs.180,764,600 as disclosed in Note 16 to the financial statements. However, review of the project's implementation status report as of 30 June, 2024 revealed that five (5) projects with a total contract sum of Kshs.711,901,775 had stalled. However, the Management did not provide a satisfactory reason for the stalling of these projects.

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

### **2.0 Unresolved Prior year Matters**

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved the issues or given any explanation

for the failure to adhere to the provisions of the Public Sector Accounting Standards Board template.

### **Other Information**

The Directors are responsible for the other information set out on page iii to xx which comprise of Key Entity Information, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors' Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Company's, financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information and I am required to report that fact. Based on the audit procedures performed, because of the significance of the matters described in my Basis for Adverse Opinion, I confirm that the Other Information is materially inconsistent with the financial statements.

### **Inadequate Disclosure in Corporate Governance Reporting**

Review of the corporate governance report in the financial statements revealed significant gaps in compliance with the prescribed reporting template. The section did not adequately address key aspects such as the process for the appointment and removal of directors, the roles and functions of the Board, and the existence or implementation of a Board charter. In addition, there was no disclosure on the number of Board meetings held, the attendance of members at these meetings, or any evidence of a succession plan for Board members or senior management. The report also lacked information on induction and training programs for Board members, performance evaluations of the Board and its members and measures for identifying and managing conflicts of interest.

Further, there were no disclosure on Board remuneration, policies on ethics and conduct, or the conduct of an independent governance audit to assess Board effectiveness. The absence of this critical information indicates that the corporate governance section did not conform to the requirements outlined in the reporting template, thereby undermining the transparency, accountability and comprehensiveness of the report.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

# REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

## **Conclusion**

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

## **Basis for Conclusion**

### **1.0 Employees Earning Less Than a Third of Their Basic Pay**

Review of the staff payroll for June, 2024 revealed that thirty-seven (37) employees were receiving net salaries that were less than one third of their respective basic salaries. This was contrary to the requirement of Section 19(3) of the Employment Act, 2007 which stipulates that without prejudice to any right of recovery of any debt due and notwithstanding the provisions of any other written law, the total amount of all deductions made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

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

### **2.0 Irregular Engagement of Casual Employees**

Review of employees records revealed that sixty-nine (69) casual employees were engaged continuously for more than three (3) months, contrary to the requirement of Section 37(1)(a) and (b) of the Employment Act, 2007 which provides that, where a casual employee works for a period or a number of continuous working days which amount in the aggregate to the equivalent of not less than one (1) month or performs work which cannot reasonably be expected to be completed within a period or a number of working days amounting in the aggregate to the equivalent of three (3) months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly.

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

### **3.0 Imprest Management**

The statement of profit or loss and other comprehensive income reflects administrative expenses balance of Kshs.56,542,511 and as disclosed in Note 10 to the financial statements. Included in the amount was Kshs.4,439,300 in respect of travelling and accommodation. It was, however, noted that staff were issued with cash through signed petty cash forms instead of standard imprest warrant (GP26) contrary to Regulation 91(2) of Public Finance Management (County Government) Regulations, 2015, which requires that the officer authorized to hold and operate an imprest shall make formal application for the imprest through an imprest warrant.

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

#### **4.0 Long Outstanding Trade Payables**

The statement of financial position, reflects trade and other payables balance of Kshs.272,259,765 as disclosed in Note 23 to the financial statements. Included in the payables balance is Kshs.136,129,882 that was outstanding for over one year. This was contrary to Section 53(8) of the Public Procurement and Asset Disposal Act, 2015 which states that 'an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contract(s) are reflected in approved budget estimates.

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

#### **5.0 Non-Revenue Water**

Review of water abstraction records revealed that the quantity of water produced during the year under review was 4,696,988M<sup>3</sup> and that water billed for consumption was 2,143,323M<sup>3</sup>, resulting in water sales valued at Kshs.304,746,356 as reported in Note 6 to the financial statements. The difference in water volume amounting to 2,553,665M<sup>3</sup>, which translates to approximately 54% of the water produced was neither billed nor accounted for. The 54% is above the recommended rate of 25% by 29% whose estimated abnormal loss of water sales is Kshs.165,684,925. Further, the Company did not have master meters and based its production on estimates. The non-revenue water may have resulted in a loss of revenue estimated at Kshs.165,684,925.

In the circumstances, efficiency and effectiveness in the use of public resources could not be confirmed.

#### **6.0 Personnel Expenditure as a Percentage of Operating and Maintenance Costs**

A review of records revealed that the Company reported personnel expenditure of Kshs.91,111,391 against total operating and maintenance costs of Kshs.142,422,498 for the year ended 30 June, 2024. Personnel expenditure accounted for 64% of the operating and maintenance costs, which is significantly higher than the expected threshold for commercial viability for medium companies of 40%. This was contrary to requirement of Section 3.9(10) of the Water Services Regulatory Board (WASREB) Guidelines, 2018 which provides that personnel cost as share of operations and maintenance cost for medium companies shall be contained below 40%.

In the circumstances, Management was in breach of the Water Services Regulatory Board Guidelines.

The audit was conducted in accordance with ISSAIs 3000 and ISSAI 4000. The standards require 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 comply in all material respects, with the authorities that govern

them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **1.0 Maintenance of Dormant Bank Accounts**

Review of records provided for audit indicated that the Company operated commercial bank accounts for the purpose of implementing water projects. Review of the bank statements revealed that the ten (10) accounts had been dormant for over two (2) years with a balance of Kshs.680,668 as at 30 June 2024, incurring bank charges.

In the circumstances, the failure to close dormant bank accounts may have led to lose of public funds through unnecessary bank charges

#### **2.0 Effectiveness of the Internal Audit Unit and Audit Committee**

Review of the governance structures at the Company revealed that the Company had established an Internal Audit Unit and an Internal Audit Committee. However, the internal audit unit did not provide audit reports to support the assignments executed during the year. Further, the Audit Committee did not deliberate reports of external auditors.

In the circumstances, the effectiveness of governance structures at the Company could not be confirmed.

The audit was conducted in accordance with ISSAIs 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 controls, 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

### **Conclusion**

As required by the Companies Act, 2015, I report, based on my audit that:

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit
- ii. The information given in the Directors' report on pages viii is consistent with the financial statements and
- iii. The auditable part of the Directors' remuneration report on pages xiv has been properly prepared in accordance with the Companies Act, 2015.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls 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 controls, risk management and 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 and using the going concern basis of accounting unless Management is aware of the intention 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 comply with the authorities which govern them and that public resources are applied in an effective way.

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

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


My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of

the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

17 December, 2024

14. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2024

	Note	2023-2024	2022-2023
		Kshs	Kshs
<b>Revenue</b>			
Operating Revenue	6	304,746,356	301,060,526
Other Income	7	464,759,508	498,175,684
<b>Total Revenue</b>		<b>769,505,864</b>	<b>799,236,210</b>
<b>Expenses</b>			
Staff Costs	8	91,492,731	91,441,339
Board Expenses	9	1,320,000	882,000
Administrative Expenses	10	56,542,511	51,909,642
Operating Expenditure	11	142,422,498	101,132,508
Depreciation and Amortization	12	31,739,903	36,610,943
Finance Cost	13	604,466	2,211,740
Audit Fees	14	233,856	233,856
Project Cost	15	287,258,108	457,070,285
<b>Total Expenses</b>		<b>611,614,074</b>	<b>741,492,313</b>
<b>Profit/(Loss) Before Taxation</b>		<b>157,891,790</b>	<b>57,743,897</b>
Income Tax Expense/(Credit)			-
<b>Profit/(Loss) After Taxation</b>		<b>157,891,790</b>	<b>57,743,897</b>
<b>Other Comprehensive Income</b>			
<b>Profit/ (Loss) After Taxation</b>			
Surplus Or Deficit on Revaluation Of PPE			-
Remeasurement Of Net Defined Benefit Liability			-
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI (Fair Value Through Other Comprehensive Income)			-
<b>Total Comprehensive Income for The Year</b>		<b>157,891,790</b>	<b>57,743,897</b>

Name  
Mohamed M. Dolal  
Managing Director

Name  
Mohamed Abdullahi Suthey  
Head of Finance  
ICPAK M/No:32580

Name  
Mohamed Dahir Weyrah  
Chairman of the Board


**Garissa Water and Sewerage Company Ltd.**

**Annual Report and Financial Statements for the year ended June 30, 2024**

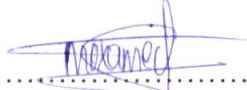
**15. Statement Of Financial Position As of 30 June 2024**

	Note	2023-2024	2022-2023
		Kshs	Kshs
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	180,764,600	205,137,781
<b>Total non-current assets</b>		<b>180,764,600</b>	<b>205,137,781</b>
<b>Current assets</b>			
Trade and receivable	17	991,279,622	868,725,168
Bank and cash balances	18	123,887,260	16,537,997
<b>Total current assets</b>		<b>1,115,166,882</b>	<b>885,631,145</b>
<b>Total Assets</b>		<b>1,295,931,482</b>	<b>1,090,400,926</b>
<b>Equity and liabilities</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	19	100,000	100,000
Capital fund	20	31,758,485	31,758,485
Retained earnings	21	991,813,233	833,921,443
<b>Capital and Reserves</b>		<b>1,023,671,718</b>	<b>865,779,928</b>
<b>Current liabilities</b>			
Borrowings (Overdraft)	22	-	-
Trade and other payables	23	272,259,765	224,620,998
<b>Total current liabilities</b>		<b>272,259,765</b>	<b>224,620,998</b>
<b>Total equity and liabilities</b>		<b>1,295,931,483</b>	<b>1,090,400,926</b>

The financial statements were approved by the Board on 29/09/ 2024 and signed on its behalf by:



Name  
Mohamed M. Dolal  
Managing Director



Name  
Mohamed Abdullahi Suthey  
Head of Finance  
ICPAK M/No:32580



Name  
Mohamed D. Weyrah  
Chairman of the Board

**16. Statement Of Changes in Equity for the Year Ended 30 June 2024**

	<b>Notes</b>	<b>Share capital</b>	<b>Revenue reserve</b>	<b>Capital Fund</b>	<b>Total</b>
<b>As of July 1, 2022</b>		<b>100,000</b>	<b>776,177,546</b>	<b>31,758,485</b>	<b>807,976,031</b>
Profit for the year		-	57,743,897	-	57,743,897
<b>As of June 30, 2023</b>		<b>100,000</b>	<b>833,921,443</b>	<b>31,758,485</b>	<b>865,719,928</b>
<b>As of July 1, 2023</b>		<b>100,000</b>	<b>833,921,443</b>	<b>31,758,485</b>	<b>865,719,928</b>
Profit for the year		-	157,891,790	-	157,891,790
<b>At June 30, 2024</b>		<b>100,000</b>	<b>991,813,233</b>	<b>31,758,485</b>	<b>1,023,611,718</b>

Garissa Water and Sewerage Company Ltd.  
Annual Report and Financial Statements for the year ended June 30, 2024

17. Statement of Cash Flows for The Year Ended 30 June 2024

	Note	2023-2024	2022-2023
		Kshs	Kshs
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Operating Receipts	6	304,746,356	301,060,526
Other Income	7	464,759,508	498,175,684
<b>Total Receipts</b>		<b>769,505,864</b>	<b>799,236,210</b>
<b>Payments</b>			
Staff Costs	8	91,492,731	91,441,339
Board Expenses	9	1,320,000	882,000
Administrative Expenses	10	56,542,511	51,909,642
Operating Expenditure	11	142,422,498	101,132,508
Finance Cost	13	604,466	2,211,740
Audit Fees	14	233,856	233,856
Project Cost	15	287,258,108	457,070,285
<b>Total Payments</b>		<b>579,874,170</b>	<b>704,881,370</b>
Adjust for :			
Increase/Decrease in trade receivable		(122,554,454)	(31,760,971)
Increase/Decrease in trade payable		47,638,767	(2,650,705)
Tax Paid			(39,506,079)
<b>Net Cash From/ (Used In) Operating Activities</b>		<b>114,716,007</b>	<b>20,437,085</b>
<b>Cash Flows from Investing Activities</b>			
Purchase Of Property, Plant And Equipment (PPE)		(7,366,723)	(5,387,546)
Proceeds From Disposal Of PPE		-	-
<b>Net Cash From/ (Used In) Investing Activities</b>		<b>(7,366,723)</b>	<b>(5,387,546)</b>
<b>Net Cash From/(Used In) Financing Activities</b>		<b>-</b>	<b>-</b>
<b>Increase/(Decrease) In Cash and Cash Equivalents</b>		<b>107,349,284</b>	<b>15,049,539</b>
<b>Cash And Cash Equivalents At Beginning Of Year</b>		<b>16,537,978</b>	<b>1,488,439</b>
Effects Of Foreign Exchanges Rate Fluctuations		-	-
<b>Cash And Cash Equivalents At End of the Year</b>		<b>123,887,262</b>	<b>16,537,978</b>

18. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2024

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
Income from operations	339,391,484	-	339,391,481	304,746,356	34,645,125	90%
Other income from operations	55,764,000	-	55,764,000	-	55,764,000	0%
Other income	-	-	-	464,759,508	(464,759,508)	-100%
<b>Total income</b>	<b>395,155,484</b>	<b>-</b>	<b>395,155,481</b>	<b>769,505,864</b>	<b>(374,350,383)</b>	<b>195%</b>
<b>Expenses</b>						
Personnel Cost	120,784,050		120,784,054	91,886,590	28,897,464	76%
Directors Emoluments	2,240,000		2,240,000	1,320,000	920,000	59%
Administrative Expenses	37,056,831		37,056,831	56,542,511	(19,485,680)	153%
Operating Expenditure	233,381,409		233,381,409	142,422,498	90,958,911	61%
Finance Cost	1,000,000		1,000,000	604,466	395,534	60%
Audit Fees	463,999		463,999	233,856	230,143	50%
Depreciation Expenses	31,739,903		31,739,903	31,739,903	-	100%
Project Costs	287,258,108		287,258,108	287,258,108	-	100%
<b>Total Expenditure</b>	<b>713,924,300</b>	<b>-</b>	<b>713,924,304</b>	<b>612,007,932</b>	<b>101,916,372</b>	<b>86%</b>
<b>Surplus for the period</b>	<b>(318,768,816)</b>	<b>-</b>	<b>(318,768,823)</b>	<b>157,497,932</b>	<b>(476,266,755)</b>	<b>-49%</b>
<b>Capital expenditure</b>						

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

### **1. General Information**

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

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

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

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

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

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

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company. The figures are rounded to the nearest Kenyan shilling.

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

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

**i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2024.**

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

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<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
Single Transaction (issued in May 2021)	deductible temporary differences.	

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**Notes to the Financial Statements (Continued)**

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

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

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

**iii. Early adoption of standards**

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

Notes to the financial statements (continued)

**4. Summary of Accounting Policies**

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

**a) Revenue recognition**

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

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

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

**Summary of Accounting Policies**

**b) In-kind contributions**

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

**c) Property, plant and equipment**

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

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

**Summary of Accounting Policies**

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

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

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

<b>Item</b>	<b>Years</b>	<b>Rates</b>
Land and Buildings		2%
Furniture and Fittings		12.5%
Equipment and Facilities		12.5%
Motor Vehicles		20%
Computers		33%
New Pipeline Extensions		10%
Boreholes		10%

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

**e) Intangible assets**

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

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

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

**Summary of Accounting Policies**

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

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

**g) Investment property**

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

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

**Summary of Accounting Policies**

**h) Right of Use Asset**

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

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

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

**j) Quoted investments**

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

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

**Summary of Accounting Policies**

**k) Unquoted investments**

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

**l) Inventories**

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

**m) Trade and other receivables**

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment continuously. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted. A report on losses and write-offs is disclosed on page 30 of this report. The annual provision for bad debts is 5%.

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

**Summary of Accounting Policies**

**n) Taxation**

**i) Current income tax**

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

**o) Deferred tax**

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

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

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

**Summary of Accounting Policies**

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

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

**p) Borrowing costs**

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

assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

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

**Summary of Accounting Policies**

**q) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at the bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Bank account balances include amounts held at various Commercial Banks at the end of the reporting period.

**r) Borrowings**

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

**s) Trade and other payables**

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

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

**Summary of Accounting Policies**

**t) Retirement benefit obligations**

The Company operates a defined contribution scheme for all full-time employees from July 1, 2011. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at 12% of the employee's salary (6% is contributed by the employee and 6% by the employer) per employee per month.

**u) Provision for staff leave pay.**

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

**v) Exchange rate differences**

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



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

**Summary of Accounting Policies**

**w) Budget information**

The original budget for FY 2023-2024 was approved by the Board of Directors on 16<sup>th</sup> June 2023. The Company's budget is prepared on a different basis from the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on an accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under note 18 of these financial statements.

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

**Summary of Accounting Policies**

**x) Service concession arrangements**

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

**y) Comparative figures**

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

**z) Subsequent events**

There have been no events after the financial year end with a significant impact on the financial statements for the year ended June 30, 2024.

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

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

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

**Summary of Accounting Policies**

**a) Estimates and assumptions**

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

**b) Useful lives and residual values**

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

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

**c) Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 14. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Notes to the financial statements (continued)

6. Operating Revenue

	2023-2024	2022-2023
	Kshs	Kshs
Water sales during the year	302,242,020	301,060,526
Other income from operations	2,504,336	-
<b>Total</b>	<b>304,746,356</b>	<b>301,060,526</b>

7. Other Income

	2023-2024	2022-2023
	Kshs	Kshs
County Government of Garissa	54,197,628	38,330,958
World Bank WSDP Project	417,119,657	459,844,726
WSTF - UBSUP Project	-	-
WSTF - Conditional Liquidity Scheme Grant (CLSG)	-	-
Hulugho Reverse Osmosis Project	-	-
Refund of Project Money (WSDP & WSTF)	(6,557,777)	-
<b>Total</b>	<b>464,759,508</b>	<b>498,175,684</b>

8. Staff Costs

Description	2023-2024	2022-2023
	Kshs	Kshs
Salaries, Wages & Statutory deductions	91,111,391	91,376,839
Training and workshop	381,340	64,500
<b>Total</b>	<b>91,492,731</b>	<b>91,441,339</b>

9. Board Expenses

	2023-2024	2022-2023
Description	Kshs	Kshs
Honoraria	960,000	640,000
Directors Allowance	360,000	242,000
<b>Total</b>	<b>1,320,000</b>	<b>882,000</b>

Notes to the financial statements (continued)

**10. Administrative Expenses**

Description	2023-2024	2022-2023
	Kshs	Kshs
Travelling and Accommodation	4,439,300	1,045,000
Stationery and Printing	296,000	805,800
Professional and Legal Services	11,406	100,000
Postal /telephone/courier serv.	821,601	687,304
Electricity-Administration	439,854	284,917
Promotion and Advertisement	417,500	20,000
Staff Welfare and Utility	608,400	363,000
WASPA	162,000	-
Corporate Social Responsibility	-	85,000
Provision for bad and doubtful debts	48,732,451	46,278,621
Rent & Rates	614,000	2,240,000
National Land Commission Fees	-	-
<b>Total Board Expenses</b>	<b>56,542,511</b>	<b>51,909,642</b>

**11. Operating Expenditure**

Description	2023-2024	2022-2023
	Kshs	Kshs
Operation and Maintenance	15,931,408	23,288,026
Electricity	85,760,312	57,784,408
Transport operations and maintenance	2830,117	2,649,990
Maintenance of plants, Equipment & Structures	8,265,744	4,979,596
Security Services	-	-
Chemicals	17,625,891	8,508,630
WASREB	10,208,966	2,121,858
WARMA	1,800,000	1,800,000
<b>Total Maintenance Expenses</b>	<b>142,422,498</b>	<b>101,132,508</b>

**12. Depreciation and Amortization Expenses**

Description	2023-2024	2022-2023
	Kshs	Kshs
Property, plant, and equipment	31,739,903	36,610,943
<b>Total Depreciation and Amortization</b>	<b>31,739,903</b>	<b>36,610,943</b>

Notes to the financial statements (continued)

13. Finance costs

	2023-2024	2022-2023
Description	Kshs	Kshs
Bank charges	604,466	2,211,740
<b>Total</b>	<b>604,466</b>	<b>2,211,740</b>

14. Provision for Audit Fees

	2023-2024	2022-2023
Description	Kshs	Kshs
Provision for Audit Fees	233,856	233,856
<b>Total</b>	<b>233,856</b>	<b>233,856</b>

15. Project Cost

	2023-2024	2022-2023
Description	Kshs	Kshs
<b>Harajab Water &amp; Sanitation Project</b>		
Project Launch	-	-
Community Awareness Creation	-	-
Project Design	-	-
Project Supervision, Monitoring and Contract Management	-	-
10% Contingency	-	-
<b>Sub-total</b>	<b>-</b>	<b>-</b>
<b>Libahlow Water &amp; Sanitation Project</b>		
Borehole Hybrid Equipping & Protection Works	-	-
50m <sup>3</sup> elevated Steel Tank on 10m Tower	-	-
Project Supervision, Monitoring and Contract Management	-	-
<b>Sub-total</b>	<b>-</b>	<b>-</b>
<b>Shebta-aad Water &amp; Sanitation Project</b>		
Borehole Hybrid Equipping	-	-
50m <sup>3</sup> elevated Steel Tank on 10m Tower	-	-
Rising Main and Distribution Pipeline	-	-
2no. Water Kiosks With 5,000 Litres Storage Tank	-	-
1no. Yard Tap	-	-
2 No. Livestock Trough	-	-

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Project Supervision, Monitoring and Contract Management	-	-
<b>Sub-total</b>	-	-
<b>WSDP Project</b>		
Domestic Travel and Subsistence	1,888,800	4,119,956
Printing & Advertising	606,630	955,000
Hospitality Supplies & Services	414,150	374,000
Civil Works	192,284,329	280,910,125
Office Consumables	2,200,880	2,502,290
Consultancy	82,641,375	99,907,327
Procurement of Vehicles	-	35,839,500,
Procurement of Plastic Tanks	-	-,
Vehicle Maintenance	1,156,551	6,683,849.97
Insurance Costs	3,046,773	5,648,646
Bank Charges	9,620	50,214
Office Furniture	2,300,000	-
Others	709,000	20,528,897
<b>Sub-total</b>	<b>287,258,108</b>	<b>457,069,805</b>
<b>UBSUP Project</b>		
Project Administration	-	-
Subsidies	-	-
<b>Sub – Total</b>	-	-
<b>WSTF CLSG Project</b>		
Personnel Costs	-	-
Electricity	-	-
Maintenance	-	-
Direct Opex (excluding Electricity and Chemicals)	-	-
Chemicals	-	-
Others	-	-
<b>Sub – Total</b>	-	-
<b>Hulugho Reverse Osmosis Project</b>		
Preliminary, Supervision, Security and Accompanying Measures	-0	480
Installation Of 2m <sup>3</sup> /hr. Reverse Osmosis Water Treatment Plant at Hulugho Girls Secondary School, Including Solar System	-	-
Construction Of Elevated Plastic Of 10m <sup>3</sup> (2N <sup>o</sup> ) at 15 Meters High	-	-
<b>Sub – Total</b>	-	<b>480</b>
<b>Total Project Costs</b>	<b>287,258,108</b>	<b>457,070,285</b>

Notes to the financial statements (continued)

16. Property, Plant and Equipment

	Land and Buildings	Computers	Equipment	Furniture and Fittings	Motor Vehicles and Bikes	Pipeline Extensions	Boreholes	Total
	2.00%	33.00%	12.50%	12.50%	20.00%	10.00%	10.00%	
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
<b>Cost</b>								
<b>On 1<sup>st</sup> July 2023</b>	654,733	685,261	68,142,324	1,437,006	82,130,390	13,520,117	38,567,949	<b>205,137,781</b>
<b>Additions</b>								
<b>On 30<sup>th</sup> June 2024</b>	-	1,784,000	327,527	527,650	-	-	4,727,546	<b>7,366,723</b>
<b>Depreciation and impairment</b>								
<b>On 1<sup>st</sup> July 2023</b>	131,811	5,767,279	79,879,886	2,834,995	116,400,433	17,800,742	19,497,779	<b>242,312,924</b>
Depreciation charge for the year	13,095	814,856	8,558,731	245,582	16,426,078	1,352,012	4,329,550	<b>31,739,903</b>
<b>On 30<sup>th</sup> June 2024</b>	<b>144,906</b>	<b>6,582,135</b>	<b>88,438,617</b>	<b>3,080,577</b>	<b>132,826,511</b>	<b>19,152,754</b>	<b>23,827,328</b>	<b>274,052,828</b>
<b>Netbook values</b>								
<b>On 30 June 2023</b>	654,733	685,261	68,142,324	1,437,006	82,130,390	13,520,117	38,567,949	<b>205,137,781</b>
<b>On 30<sup>th</sup> June 2024</b>	<b>641,638</b>	<b>1654,405</b>	<b>59,911,120</b>	<b>1,719,074</b>	<b>65,704,312</b>	<b>12,168,105</b>	<b>38,965,946</b>	<b>180,764,600</b>

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**17. Trade and Other Receivables**

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Trade Debtors	991,177,832	868,005,700
Share receivable	100,000	100,000
Prepayment	1,790	619,468
<b>Net trade and other receivables</b>	<b>991,279,622</b>	<b>868,725,168</b>

**17. (a) Trade Receivables**

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Gross trade receivables	942,445,381	914,284,321
Provision for doubtful receivables	48,732,451	46,278,621
Net trade receivables	991,177,832	868,005,700
<b>As of June 30, the ageing analysis of the gross trade receivables was as follows:</b>		
Less than 30 days	42,807,231	26,533,195
Between 30 and 60 days	55,092,942	38,761,272
Between 61 and 90 days	57,378,547	40,356,695
Between 91 and 120 days	72,798,702	55,147,648
Over 120 days	763,100,410	707,246,890
<b>Total</b>	<b>991,177,832</b>	<b>868,005,700</b>

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

**18. Bank and Cash Balances**

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Cash at bank	123,190,664	15,021,216
Cash in hand	-	-
Mobile money account (880600)	696,595	1,516,761
	<b>123,887,259</b>	<b>16,537,977</b>

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

		2023-2024	2022-2023
<b>Financial institution</b>	<b>Account no.</b>	<b>Kshs</b>	<b>Kshs</b>
Revenue Accounts – FCB	2976982901	(21,078)	2,546
Development Account - KCB	1107767741	(4,511,413)	10,592,856
Reserve Account - Equity	058029748463	100,956	100,956
General Account - FCB	2976982903	(5,694,938)	(100,000)
Reserve Account -FCB	2976982902	-	-
Post Bank Account	0744130011397	78,271	73,850
Bul la Noor Project	01134376129101	2,039	2,039
Drought Emergency Project	1207726249	993	993
WSTF - GGEP Harajab Water Project	2976982927	13	13
WSTF - GGEP Libahlow Water Project	2976982928	405	405
WSTF - GGEP Shebta-aad Water Project	2976982926	76,252	76,252
WSTF - UBSUP Project	0580279341218	516,895	516,895
WSDP Account - Equity	0580279720179	132,636,470	2,774,921
WSTF CLSG Account - Equity	0580280412465	5,800	5,800
WSTF Hulugho Reverse Osmosis Project	2976982932	-	973690
<b>Total</b>		<b>123,190,664</b>	<b>15,021,216</b>

**19. Ordinary Share Capital**

	2023-2024	2022-2023
	<b>Kshs</b>	<b>Kshs</b>
<b>Authorized:</b>		
5,000 ordinary shares of Kshs.20 par value each	100,000	100,000
<b>Issued and fully paid:</b>		
5,000 ordinary shares of Kshs. par value each	<b>100,000</b>	<b>100,000</b>

**20. Capital Fund**

	2023-2024	2022-2023
	<b>Kshs</b>	<b>Kshs</b>
Fixed Assets	11,969,799	11,969,799
Inherited Debtors	21,351,302	21,351,302
Inherited Creditors	(1,562,616)	(1,562,616)
	<b>31,758,485</b>	<b>31,758,485</b>

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

## 21. Retained Earnings

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

## 22. Borrowings

Description	2023-2024	2022-2023
	Kshs	Kshs
<b>a) Domestic Borrowings</b>		
Balance at the beginning of the year	0	0
Domestic borrowings during the year	0	0
Repayments during the year	(0)	(0)
<b>Balance at the end of the year</b>	<b>0</b>	<b>0</b>
<b>C) Total Balance at end of the period c = a+b</b>	<b>0</b>	<b>0</b>

## Retirement Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2023-2024	2022-2023
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	-	-	-		30,115,428
Non-current benefit obligation	-	-	-		-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>30,115,428</b>

## Retirement benefit Asset/ Liability

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

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

**23. Trade and Other Payables**

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Trade creditors	119,305,537	92,431,139
Salary payable	4,623,037	4,470,912
Other payables	148,331,191	127,718,947
<b>Total</b>	<b>272,259,765</b>	<b>224,620,998</b>

**Ageing Analysis for Trade and Other Payables**

	<b>2023-2024</b>	<b>% of the total</b>	<b>2022-2023</b>	<b>% of the total</b>
Under one year	136,129,883	50%	112,310,499	50%
1-2 years	38,116,367	14%	53,909,039	24%
2-3 years	40,838,965	15%	24,708,310	11%
Over 3 years	57,174,550	21%	33,693,150	15%
<b>Total</b>	<b>272,259,765</b>		<b>224,620,998</b>	

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

**Other Disclosures**

**24. Related Party Disclosures**

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**County Government of Garissa**

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

Other related parties include:

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

**Transactions with related parties**

	2023-2024	2022-2023
	Kshs	Kshs
<b>a) Sales to related parties</b>		
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	-	-
Interest income from Govt Commercial Banks	-	-
Interest income from T-bills and Bonds	-	-
Others (Specify)	-	-
<b>Total</b>	-	-
<b>b) Purchases from related parties</b>		
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-
Bank charges paid to Govt Commercial banks	-	-
Interest expense to investments by other govt. entities	-	-
Others (specify)	-	-
<b>Total</b>	-	-
<b>b) Grants from the Government</b>		
Grants from National Govt Agencies		-
Grants from the County Government		30,000,000
Donations in kind	-	-
<b>Total</b>		<b>30,000,000</b>
<b>c) Expenses incurred on behalf of related party</b>		

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	2023-2024	2022-2023
	Kshs	Kshs
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
<b>Total</b>	-	-
<b>d) Key management compensation</b>		
Directors' emoluments	-	-
Compensation to key management	-	-
<b>Total</b>	-	-

**25. Financial Risk Management**

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

**(i) Credit risk**

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

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

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

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due but not Impaired Kshs</b>	<b>Past due and Impaired Kshs</b>
<b>On 30 June 2024</b>				
Trade Receivables	991,177,832	-	-	-
Other Receivables	-	-	-	-
Investments	-	-	-	-
Bank balances	123,887,259	-	-	-
<b>Total</b>	<b>1,115,065,091</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>On 30 June 2023 (Previous Year)</b>				
Receivables	868,005,700	-	-	-
Other Receivables	-	-	-	-
Investments	-	-	-	-
Bank balances	16,537,690	-	-	-
<b>Total</b>	<b>884,543,390</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**Credit Risk (Continued)**

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

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

**ii) Liquidity risk management**

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

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

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

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Deferred income	-	-		
Employee benefit obligation	-	-	34,720,353	34,720,353
<b>Total</b>	-	-	<b>119,325,348</b>	<b>119,325,348</b>

**(iii) Market risk**

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

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

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

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

**a) Interest rate risk**

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

**i) Management of interest rate risk**

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

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

**ii) Fair value of financial assets and liabilities**

**a) Financial instruments measured at fair value**

Determination of fair value and fair values hierarchy

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

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

**iv) Capital Risk Management**

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

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Revaluation reserve	-	-
Retained earnings	991,419,374	833,921,443
Capital reserve	31,758,485	31,758,485
<b>Total funds</b>		<b>865,679,928</b>
Total borrowings		-
Less: cash and bank balances	123,887,259	16,537,977
Net debt/ (excess cash and cash equivalents)		
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

**26. Incorporation**

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

**27. Events After the Reporting Period**

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

**20. Appendices**

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

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

Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p><b>1.</b> <b>Failure to Bill all Customers</b></p>	<p>The statement of profit or loss and other comprehensive income reflects the operating revenue amount of Kshs.301,060,526 in respect of water sales as disclosed in Note 6 to the financial statements. However, a review of the income records revealed that the number of customers served by the Company was 18,126, out of which only 7,927 or 44% are metered. Water billing was done to only 2,420 metered customers leaving 5,507 metered customers not billed, hence loss of revenue. In addition, the Company has been using expired water tariffs approved on 14 May 2010 and expected to have been reviewed on June 2012 for further adjustment as per Gazette Notice</p>	<ul style="list-style-type: none"> <li>The low metering level is being cured by installing meters. We have received a grant in the form of meters under the World Bank-funded UTF programme, not only for the master meters, to ensure 100% metering and we have embarked on installing and consumer education to change the culture where consumers remove or vandalize the meters. We have also requested the County Government to pass stringent by-laws prohibiting tampering with meters. Installation of the meters is ongoing.</li> <li>The company is in the process of renewing its tariff and the process is at an advanced stage.</li> </ul>	<p>Not Resolved</p>	<p>FY 2024/25</p>

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Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>No.5321, Vol. CXII - No.49, page 1724.</p> <p>In the circumstances, the accuracy and completeness of the operating revenue balance of Kshs.301,060,526 could not be confirmed.</p>			
<p><b>2.</b></p> <p><b>Unsupported Trade Receivables</b></p>	<p>The statement of financial position reflects the trade and other receivables balance of Kshs.868,725, 168 as disclosed in Note 17 to the financial statements. However, the Management did not maintain an updated receivables ledger that would show the balance brought forward, the amount accrued during the year, payments received and the balance carried forward. In addition, a breakdown illustrating gross trade receivables, provision for doubtful receivables and net trade receivables were also not provided for audit.</p> <p>In the circumstances, the accuracy and completeness of trade and other receivables balance of Kshs.868,725, 168 could not be confirmed.</p>	<ul style="list-style-type: none"> <li>The company maintained the ledger but the data was in PDF format. We are in the process of migrating to a more robust and efficient software (World Bank UTF programme) which has already been funded and is at the procurement stage. The new software will have better controls and reports that will cure the above.</li> <li>As explained above the current software is not able to age debtors but this is being addressed as above too.</li> </ul>	<p>Not Resolved</p>	<p>FY 2023/24</p>

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Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3. Variances in Cash and Cash Equivalents	<p>The statement of financial position reflects bank and cash balances of Kshs.16,537,977 and as disclosed under Note 18 to the financial statements. However, three (3) bank reconciliation statements for revenue accounts a First Community Bank, a development account at Kenya Commercial Bank and a reserve account at First Community Bank reflect cash book opening balance of Kshs.755,049 and two (2) Nil balances while the audited cash book closing balance reflects an amount of Kshs.430,473, Kshs.438,664 and an overdrawn amount of Kshs.27,908,052 respectively, resulting in an unexplained variance of Kshs.27,756,300.</p> <p>In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.16,537,977 could not be confirmed.</p>	<ul style="list-style-type: none"> <li>We have noted the variance in the cash and cash equivalent and the statement of cash flows and will reconcile the same.</li> <li>The Board approval minutes and agreement from the Commercial banks to utilize overdraft facilities are available for your review.</li> </ul>	Resolved	FY 2022/23
		•		
7.		•		

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Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		•		
8.		•		

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

Name Mohamed Mohamud Dolal

Signature



Managing Director

Date.....

29/09/2024

**Appendix II: Projects Implemented by the Company**  
**Projects**

Projects implemented by the Company are Funded by development partners.

Project title	Project Number	Donor	Period/ Duration	Donor commitment	Separate donor reporting is required as per the donor agreement (Yes/No)	Consolidated in these financial statements
						(Yes/No)
Harajab Water & Sanitation Project	RUP/1/W&S/GARISSA/GAWA SCO/HARAJAB/1	WSTF	6 Months		Yes	Yes
Libahlow Water & Sanitation Project	RUP/1/W&S/GARISSA/GAWA SCO/LIBAHLOW/2	WSTF	6 Months		Yes	Yes
Shebta-aad Water & Sanitation Project	RUP/1/W&S/GARISSA/GAWA SCO/SHEBTA-AAD/3	WSTF	6 Months		Yes	Yes
Wsdp Project	IDA CREDIT NO:60290/60300	World Bank	4YRS		Yes	Yes
UBSUP Project	02HS/NWWDA/GARISSA/058	WSTF	6 Months		Yes	Yes
CLSG Project		WSTF	6 Months		Yes	Yes
Hulugho Reverse Osmosis Project	RIP/1/W/GARISSA/HULUGH O/1	WSTF	6 Months		Yes	Yes

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**Status of Project Completion**

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

Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive Income	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry/County Department of Water		Recurrent	54,197,628	54,197,628	-	-	-	-	54,197,628
<b>Total</b>			<b>54,197,628</b>	<b>54,197,628</b>	-	-	-	-	<b>54,197,628</b>