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REPORT

OF

THE AUDITOR-GENERAL

ON

**GARISSA WATER AND SEWERAGE COMPANY
LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2020**



OFFICE OF THE AUDITOR GENERAL
30 SEP 2020
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P. O. BOX 88-70100 GARISSA HUB

GARISSA WATER AND SEWERAGE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020

Prepared in accordance with the accrual basis of accounting method under the International Financial Reporting Standards (IFRS)

Garissa Water and Sewerage Company Ltd
Annual Reports and Financial Statements
For the year ended June 30, 2020

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Garissa Water and sewerage Company Limited was incorporated on 6th July 2004 under the Companies Act (Cap.486) and the water Act 2002. Garissa Water and Sewerage Company Limited are represented by the Managing Director who is responsible for the general policy and strategic direction of Garissa Water and Sewerage Company Limited.

(b) Principal Activity

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.

(c) Key Management

Garissa Water and Sewerage Company's day-to-day management is under the following key organs:

- Managing Director;
- Finance and Admin Manager
- Technical Services Manager

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Managing Director	Yusuf Mohamed Ibrahim
2.	Technical Services Manager	Christopher Wahome Kamau
3.	Finance & Administration Manager	Yusuf Abdi Barre

Garissa Water and Sewerage Company Ltd
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For the year ended June 30, 2020

(e) Headquarters

Along Lamu Road
Opposite Garissa Law Courts

(f) Contacts

P.O. Box 1088-70100
Garissa,
Kenya
Telefax: 046-3375
Telephone: 046 210 3330
E-mail: garissawater@yahoo.com
Website: www.gawasco.com

(g) Bankers

First Community 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
Garissa, Kenya

(h) Independent Auditors

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

(i) Principal Legal Adviser

Gikuhi & Kiana Co. Advocates
P.O Box.....
EMBU




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THE BOARD OF DIRECTORS

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

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MANAGEMENT TEAM

PHOTO	NAME	POSITION
	<p>Yusuf M. Ibrahim P.O. Box 1088- 70100, Garissa <u>Tel:046-210-3330</u></p>	<p>Managing Director</p>
	<p>Christopher W. Kamau P.O. Box 1088- 70100, Garissa <u>Tel:046-210-3330</u></p>	<p>Technical Services Manager</p>
	<p>Yussuf A. Barre P.O. Box 1088- 70100, Garissa Tel:046-210-3330</p>	<p>Finance & Administration Manager</p>

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CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30TH JUNE 2020

Dear shareholders,

I am pleased to present the annual report and financial statement for the year ended 30th June 2020. The Company has had numerous challenges in the past years that resulted from, notwithstanding, the pandemic, what's had us to do us be currently, was, is, and will be in its situation to do as such, taking into its continued operation saw a significant improvement in the provision of water and sewer services in this haven. In the year, the company transited.

WATER SECTOR

Following the enactment of 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 this reforms by providing quality services of water and sanitation in a commercialized manner and also increasing community participation in the management of water resources and provision of water supplies within. With devolution, Garissa Water and Sewerage Company Ltd., county government's role in water provision cannot be overemphasized. The company is reviewing its memorandum and articles of association in order to incorporate the county and its environs.

OVERVIEW

The external environment had its own challenges in this year under review. Due to fluctuations in the economy, our maintenance and operating costs increased due to price changes and salary adjustments. Poor infrastructure in the supply areas was a major cause of high maintenance cost as the vehicles and motorcycles kept breaking now and then.

down often. Also, water tariffs are reviewed by the government and reviewed after a period of time, when the rate of inflation keeps on rising every year, this never made it easy to generate enough revenue to match the increased cost of operation. All these have forced the company to employ a high degree of efficiency in managing our resources so as to minimize costs. As mentioned earlier, the impact of fluctuations in the operating environment never made our operations easy but there was a slight decrease in the company's income as compared to the previous year. Also noted is the increased power bills and chemical cost which initially was being financed by the national government but later left to the company, this consumed the company reserve hence more funds should be availed to cater for assets renewal and meet creditors obligation as they fall due.

CHALLENGES

HUMAN RESOURCE

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

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and to meet customer expectation, the company in consultation with our regulator has sourced for billing software and SMS system of bill query and delivery and payment through M-pesa service by our customers hence increased efficiency of operations.

NON-REVENUE WATER

Non-Revenue water still remains a thorn in the flesh to the company. Aged and corroded pipes, vandalism, high pressure, illegal connection, meter tempering by customers and flat rate contribute majorly to the above. Due to its adverse effect on our revenue, the company has put in place constant line patrol, night flow measurements and staff training. This measure has maintained the level of unaccounted for water at 70% to 44% in the year under review. The company has also a budget line dedicated to Non-Revenue water management.

FUTURE OUTLOOK

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

PERSONAL THANKS

I would like to take this opportunity to record my gratitude to my fellow board members for my support and valuable contribution to the company and the commitment they showed. I would also like to thank the Managing Director and staff of GAWASCO for the performance achieved in the last year and the progress made in executing the company's growth strategy. I remain confident that we have the skills and resources necessary to manage the significant opportunities and challenges that lie ahead. I thank my colleagues on the board for their sound guidance and support during the eventful year. We extend our gratitude to our consumers too for their continued support and our shareholders whose confidence has sanctioned important strategic developments. I also sincerely thank the regulatory authority Water Services Regulatory Board for their guidance and continued support.



Mr Mohamed Dahir Weirah
Chairman

Garissa Water and Sewerage Company Ltd
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REPORT OF THE MANAGING DIRECTOR FOR THE YEAR ENDED 30TH JUNE 2019

General overview

During the year under review; 2019/20, 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 the financial performance took the centre stage of our operations.

Company performance

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

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

Human resource

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



Y. M. Ibrahim
Managing Director

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

Garissa Water and Sewerage Company Ltd
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CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

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

Environmental management and corporate social responsibility activities are considered as 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 with respect to social and environmental concerns calls for sustainable management of activities for the benefit of local communities and other stakeholders. Key CSR strategic objectives, therefore, include specific outputs and outcomes upon which the performance on CSR will be judged.

GAWASCO's strategic goals are as follows;

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

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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.

Garissa Water and Sewerage Company Ltd
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REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019, 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

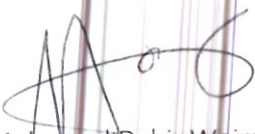
The results of Garissa Water and sewerage Company Limited for the year ended June 30, 2020, are set out from pages 14 to 17

Auditors

The Office of the Auditor-General is responsible for the statutory audit of Garissa Water and sewerage Company Limited in accordance with the Section 86 of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

Office of the auditor General, Garissa Hub was nominated by the Auditor General to carry out the audit of Garissa Water and sewerage Company Limited for the period ended June 30, 2020.

By Order of the Board


Mohamed Dahir Weirah
Board Chairman
GAWASCO

Date: 25/09/2020

Garissa Water and Sewerage Company Ltd
Reports and Financial Statements
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STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 86 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of that Garissa Water and Sewerage Company Limited, which give a true and fair view of the state of affairs of the company at the end of the financial year and the operating results of the of Company for that year. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy of the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of Garissa Water and sewerage Company Limited's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2019. This responsibility includes:

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


The Directors accept responsibility for Garissa Water and sewerage Company Limited's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that Garissa Water and sewerage Company Limited's financial statements give a true and fair view of the state of the company's transactions during the financial year ended June 30, 2020, and of its financial position as at that date. The Directors further confirm the completeness of the accounting records maintained by the company which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that of 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
Reports and Financial Statements
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Approval of the financial statements

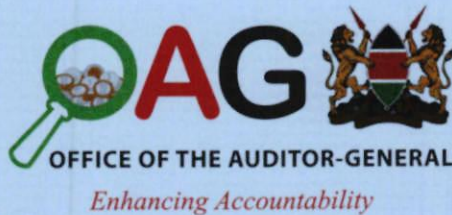
Garissa Water and sewerage Company Limited's financial statements were approved by the Board on
25/09/ 2020 and signed on its behalf by:


Chairman


Managing Director

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON GARISSA WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Garissa Water and Sewerage Company Limited set out on pages 14 to 31 which comprise the statement of financial position as at 30 June, 2020 and the statement of comprehensive income, statement of changes in equity and the statement of cash flows 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Presentation of Financial Statements

The annual report and financial statements for Garissa Water and Sewerages Company Limited for the year ended 30 June, 2020 presented for audit had the following inadequacies;

- i) A concise description of each Director's date of birth, key qualifications, work experience and passport size photos were not indicated.
- ii) Management team details on their professions and academic qualifications were not indicated.
- iii) Management discussion and analysis statement was not prepared.
- iv) Report of the Directors on page 11 refers to Section 86 of the Public Finance Management Act, 2012 instead of Article 229 of the Constitution and Section 35 of the Public Audit Act, 2015.
- v) The statement of Directors' responsibilities refers to the State Corporations Act instead of the Water Act, 2016.

- vi) The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 was not prepared.
- vii) There was no provisional page for the report of the independent auditors of Garissa Water and Sewerage Company Limited.
- viii) The updated significant accounting policies for financial year 2019/2020 were not included.
- ix) Progress on follow up of auditors recommendations was not prepared.
- x) Report on project implementation was not prepared by the Garissa Water and Sewerage Company Limited .
- xi) There was no inter entity transfers report prepared.
- xii) Transfers from other government entities was not prepared.
- xiii) The financial statements are not chronologically page numbered. Page numbers 19, 20, 21, 26 and 30 were missing.

In the circumstances, the annual report and financial statements were not prepared in compliance with International Financial Reporting Standards (IFRS) reporting template (Revised 2020) provided by the Public Sector Accounting Standards Board.

2. Development Grants

The statement of comprehensive income reflects other income of Kshs.135,046,320 being World Bank Development Grants reported as WSDP under Note 4 to the financial statement. However, International Accounting Standard No. 20 requires setting up the grant as deferred income or deducting it from the carrying amount of the asset.

Consequently, the disclosure and presentation of the development grants amount of Kshs.135,046,320 as at 30 June, 2020 was not as per the International Accounting Standards.

3. Income

3.1 Inaccuracy of Reported Income

The statement of comprehensive income reflects income from operations totalling to Kshs.437,360,360 and as disclosed under Note 4 to the financial statements. The income comprises of an amount of Kshs.434,869,990 and Kshs.2,490,370 for water sales and other income respectively. However, review of the revenue revealed the following inconsistencies: -

- i) A summary billing report from the revenue collection system provided indicated that the Company sales for the period under review were totalling to

Kshs.277,511,332 but the financial statements reflected an amount of Kshs.434,869,990 resulting to unreconciled difference of Kshs.157,358,658.

- ii) The total number of customers recorded in the revenue system were 16,964 as at 30 June, 2020. However, only 7,403 being 43.6% of the customers were metered and out of which only 241 of the metered for the customers were billed for the actual consumption as at 30 June, 2020.
- iii) The billing report provided by the Management reflected an amount of Kshs.277,511,332 as at 30 June, 2020. However, a billing report generated from the revenue system on 11 February, 2021 for the same period indicated a total of water sales balance of Kshs.319,025,240 as at 30 June, 2020 resulting to an unexplained difference of Kshs.41,513,907.
- iv) Management did not provide for audit the M-pesa statement and a reconciliation with the customers' accounts to confirm the accuracy of the revenue indicated to have been collected though M-pesa amounting to Kshs.41,604,762 and banked.
- v) Details and source of the other income balance of Kshs.2,490,370 reported in Note 4 to the financial statements were not provided for audit review.

In the circumstances, the accuracy and completeness of the reported income from operations amounting to Kshs.437,360,360 could not be confirmed.

3.2 Undisclosed Revenue

The statement of comprehensive income reflects total income of Kshs.572,406,680. However, a review of records revealed that the water Company did not disclose grants totalling to Kshs.40,000,000 received during the year from Garissa County Executive. Therefore the revenue amount is under stated by an amount of Kshs.40,000,000.

Consequently, the accuracy and completeness of the reported income of Kshs.572,406,680 could not be confirmed.

4. Unsupported Expenditure

The statement of comprehensive income reflects total expenditure of Kshs.431,730,053. However, payment vouchers to support various expenses totalling to Kshs.160,051,373 as detailed below were not provided.

Component	Amount (Kshs.)
Personnel Costs	69,130,384
Postal/Telephone/Courier	1,069,572
Fuel	8,309,111
Fittings and Consumables	4,309,111
Electricity	58,364,298
Transport Operations and Maintenance	5,147,767
Maintenance of Plants, Equipment & Structure	9,088,530
WARMA Charges	1,800,000

Component	Amount (Kshs.)
Travelling and Accommodation	2,832,600
Total	160,051,373

In the circumstances, the accuracy of the expenditure of Kshs.160,051,373 reflected in the statement could not be confirmed.

5. Unreconciled Personnel Costs

The statement of comprehensive income reflect personnel costs of Kshs.78,718,482 and as disclosed under Note 5 to the financial statement. However, a review of the payroll data presented for audit revealed that Management spent an amount of Kshs.64,034,502 resulting in unexplained difference of Kshs.14,683,980. Further, other personnel expenditures totalling to Kshs.19,819,154 were not included in the ledgers supporting the financial statements.

Consequently, the accuracy and occurrence of personnel costs totalling to Kshs.78,718,482 for the year ended 30 June, 2020 could not be confirmed.

6. Unsupported Directors Emoluments

The statement of comprehensive income reflects Directors emoluments amounting to Kshs.1,628,000 and as disclosed under Note 6 to the financial statements which comprised of an amount of Kshs.800,000 and Kshs.828,000 for Chairman honoraria and Directors allowances respectively. However, it was observed that the expenditure for Directors allowances was not supported with schedule of meetings, attendance register for meetings and notice of meetings. In addition, the Chairman's honoraria paid during the year was not subjected to PAYE tax. Further, an amount of Kshs.248,000 was paid to Non-Board Members for attending Board meetings.

In view of the foregoing, the accuracy and completeness of Directors emoluments totalling to Kshs.1,628,000 could not be confirmed.

7. Administrative Expenses

7.1 Unsupported Travelling and Accommodation

The statement of comprehensive income reflects administrative expenses balance of Kshs.44,436,754 and as disclosed under Note 7 to the financial statements. The expenditure includes an amount of Kshs.4,232,600 incurred on travelling and accommodation. However, payments totalling to Kshs.1,400,000 were not supported with necessary documents including invitation letters for the seminars/workshops, attendance registers and mode of travel and the specific job group of the officers.

Consequently, the accuracy of the expenditure for travelling and accommodation of Kshs.1,400,000 could not be confirmed.

7.2 Unsupported Staff Welfare and Utility

Included in the administration expenses balance of Kshs.44,436,754 and as disclosed under Note 7 to the financial statements is an amount of Kshs.2,151,472 incurred on

staff welfare and utility. A review of the expenditure revealed that, an expenditure amounting to Kshs.1,771,967 was not supported with requisitions, local purchase orders and invoices making it difficult to confirm the procurement process used.

Consequently, the validity of the expenditure on staff welfare and utility of Kshs.1,771,967 could not be confirmed.

8. Operating Expenditure

8.1 Unsupported Operating and Maintenance Expenditure

The statement of comprehensive income reflects operating expenditure of Kshs.175,294,956 and as disclosed under Note 8 to the financial statements which includes an amount of Kshs.71,186,520 incurred on operation and maintenance. However, examination of payment records and other supporting documents relating to the expenditure revealed the following unsatisfactory matters: -

8.1.1 Undisclosed Fuel Costs

During the audit, the Company availed payment vouchers amounting to Kshs.9,956,171 on purchase of fuel which were not included in the financial statements. No explanation was provided for failure to disclose the expenditure in the financial statements. However, the expenditure was not supported with work tickets, detail orders and delivery notes. A review of the fuel registers revealed that private vehicles were drawing fuel. It was also noted that the Company procured the fuel directly from a filling station that was not prequalified to supply fuel.

In the circumstances, the validity of the expenditure of Kshs.9,956,171 on purchase of fuel could not be ascertained.

8.1.2 Undisclosed Fittings and Consumables

Included in the operation and maintenance expenditure of Kshs.71,186,520 and as disclosed under Note 8 to financial statements is an amount of Kshs.8,635,868 relating to fittings and consumables. However, the Company provided for audit review, payment vouchers amounting to Kshs.6,176,362 which were not included in the expenditure on fittings and consumables. The firms that supplied the goods were not competitively sourced. In addition, the goods supplied were not accounted for through the stores records.

Consequently, the validity of the expenditure of Kshs.6,176,362 on fittings and consumables could not be ascertained.

8.1.3 Irregular Payments on Repair of Tank and Installation of Pipelines

During the year under review, Management awarded a tender for repair of tanks and installation of pipelines at a contract sum of Kshs.14,100,000. The works were procured through restricted tendering. However, no explanation was provided for using the restricted tendering method of procurement. It was further noted that the

professional opinion was signed by the Managing Director instead of the head of procurement as required by Section 84 of the Public Procurement and Asset Disposal Act, 2015. Management paid an amount of Kshs.3,200,000 without a certificate of partial completion and/or inspection and acceptance committee report. A physical verification carried on 18 February, 2021 revealed that the tank was leaking.

In the circumstances, the validity of the expenditure on repair of tank and installation of pipes of Kshs.14,100,000 could not be confirmed.

8.1.4 Unsupported Bank Transfers

Audit review of the expenditure schedule for the operation and maintenance revealed that, bank transfers to other bank accounts operated by the water company amounting to Kshs.35,367,261 were included as operating expenditure. However, the supporting documents including payment vouchers, invoice, local purchase orders/local service orders and other procurement and stores records were provided for audit review. The Management has not provided explanations on how these bank transfers were classified as operating expenditure.

In the circumstances, the validity of the bank transfer of Kshs.35,367,261 for the year ended 30 June, 2020 could not be confirmed.

8.2 Irregular and Over Payment for Repair Works

During the year under review, the Company awarded a contract for supply and installation of filter media and replacement of faulty valves at the water treatment works at a contract sum of Kshs.14,946,000. However, the works were contracted through restricted tendering method without any justification for the choice of the procurement method. A review of the Bill of Quantities revealed that the works were valued at Kshs.3,357,600 but the winning bidder quoted Kshs.14,946,000 and was awarded the contracts. The contract was awarded above the Bill of Quantities by Kshs.11,588,400. Further, the Company made a payment of Kshs.14,100,000 to the contractor without the certificate of practical completion and/or inspection and acceptance committee report.

In the circumstances, the validity of the expenditure of Kshs.14,100,000 on repair and augmentation of treatment works could not be confirmed.

8.3 Unsupported Procurement of Chemicals

Note 8 to the financial statements reflects operating expenditure of Kshs.175,294,956 which includes an expenditure on procurement of chemicals of Kshs.14,244,080. However, examination of payment records and other supporting documents revealed that an expenditure of Kshs.8,772,080 was not supported with requisition from user department, procurement records, store register, counter receipt voucher (S13) and counter requisition and issue voucher (S11).

Consequently, the validity of the expenditure of Kshs.8,772,080 on chemicals could not be confirmed.

8.4 Unsupported Water Services Regulatory Board (WASREB) Levy

Note 8 to the financial statements reflects operating expenditure of Kshs.175,294,956 which includes an amount of Kshs.1,360,281 incurred on license operation fee paid to the Water Services Regulatory Board. However, no invoices supporting the expense were provided.

In the circumstances the validity of the expenditure of Kshs.1,360,281 on WASREB levy could not be confirmed.

9. Unaccounted for Project Costs

The statement of comprehensive income reflects project costs amounting to Kshs.114,865,930 being part of a grant received from world bank under Water and Sanitation Development Programme which was expensed instead of being capitalized. The project costs included an amount of Kshs.5,673,500 relating to supply of fuel, payments of allowances, purchase of computers and accessories that has not been supported with the relevant documents.

Further, the balance included an amount of Kshs.14,700,000 on procurement of plastic and collapsible tanks. A review of the documents provided revealed the following issues;

- i) The dates indicated in the delivery notes from the supplier for plastic tanks differed with the Company's records on when the tanks were received.
- ii) The contract agreement was signed by the water company on 14 January, 2020 and the suppliers on 14 February, 2020 although in the notification of award dated 23 September, 2019 it was indicated that the agreement should be signed within thirty (30) days of notification.
- iii) Forty (40) collapsible tanks were issued to drivers and twenty (20) collapsible tanks were issued to secretaries and personal assistants instead of the beneficiary communities. There was no documentary evidence that the collapsible tanks reached the intended users.
- iv) The supplier was paid an amount of Kshs.14,700,000 being the contract sum after supplying tanks with a value of Kshs.2,940,000 resulting to over payment of Kshs.11,760,000.
- v) Physical verification carried on 18 February, 2021 established that twenty six (26) plastic tanks were still at the water treatment yard, almost one year after delivery and had not been distributed to the intended beneficiaries. Further, one tank was unaccounted for and the Management could not explain its whereabouts.

Consequently, the validity of the expenditure on project cost of Kshs.20,373,500 could not be confirmed.

10. Undisclosed Expenditure

A review of the bank statement established that the Company made a payment of Kshs.1,974,000 through cheque number 7954 dated 15 May, 2020. However, the payment voucher and the supporting documents were not made available for audit. Further, the expenditure was not disclosed in the financial statements for the period under review.

In the circumstance, the completeness of the financial statements could not be ascertained.

11. Irregularities in Non-Current Assets

The statement of financial position reflects non-current assets balance of Kshs.110,782,182 a decrease of Kshs.13,256,677 from the balance of Kshs.124,038,859 reported as at 30 June, 2019. However, the Company did not maintain a fixed asset register to record the specific transaction detail relating to non-current assets. Further, Note 11 to the financial statements reflects additions of Kshs.1,273,886 whose details were not provided. In addition, capital expenditure amounting to Kshs.114,865,930 reported as project costs was not capitalized and the Company is yet to value its non-current assets to reflect the current balances.

In the circumstances the accuracy and ownership of property, plant and equipment balance of Kshs.110,782,182 could not be ascertained.

12. Unreconciled Trade and Other Receivables

The statement of financial position reflects trade and other receivables balances of Kshs.806,389,406. However, the summarized schedules provided indicated a trade and other receivables balance of Kshs.335,092,089 resulting to unexplained difference of Kshs.471,297,317. Although the Company made a provision for bad and doubtful debts of Kshs.34,976,346 as disclosed under Note 7, there was no approved policy for bad and doubtful debts and the details of how the balance was computed was not provided. Further, the Company did not maintain an updated receivables' ledger to record trade and other receivables transactions, thus the debtors' aging schedule was not provided.

In addition, the trade and other receivables balance also includes an amount of Kshs.2,210,00 in respect of long outstanding imprest.

In the circumstances, the accuracy and recoverability of the trade and other receivables balance of Kshs.806,389,466 could not be confirmed.

13. Unreconciled Cash and Cash Equivalent

The statement of financial position and Note 13 to the financial statement reflects cash and cash equivalents balance of Kshs.491,092 as at 30 June, 2020. However, the

statement of cash flows reflected a cash and cash equivalents balance of Kshs.66,813,118 resulting in unreconciled difference of Kshs.66,322,026.

Further, the Company disclosed seventeen (17) bank accounts in the financial statements. However, examination of the cash books for the bank accounts reflected a total balance of Kshs.30,985,693. However, bank reconciliation statements, bank statements and certificate of bank balances for eleven (11) bank accounts were not provided.

In the circumstances, the completeness and accuracy of cash and cash equivalents balance of Kshs.491,092 could not be ascertained.

14. Unauthorized Bank Overdraft

The statement of financial position and Note 15 to the financial statement reflects a bank overdraft of Kshs.10,000,000. However, the Management did not provide Board minutes authorizing the overdraft or any approvals from the County Treasury. Further, the certificate of bank balances to confirm the overdraft balance as at 30 June, 2020 and the agreement detailing the repayment duration and interest rate to be applied on the overdraft was not provided.

In the circumstances the validity of bank overdraft of Kshs.10,000,000 could not be confirmed.

15. Trade and Other Payables

The statement of financial position and Note 14 to the financial statement reflects trade and other payables balance of Kshs.238,751,094. However, the following observations were noted: -

- i) The Management did not maintain a comprehensive creditor's ledger to record transactions of the creditors.
- ii) Supporting documents such as invoices and creditors statements were not provided for verification.
- iii) The Management did not carry out cut-off procedures to ensure that the creditors balance only relates to the year under review.
- iv) An amount of Kshs.73,323,924 for customer deposits was not adequately supported and no ledgers were maintained to record deposits to support individual balances.
- v) Included in the trade and other payables balance is unremitted PAYE balance of Kshs.26,968,735, which attracts interest and penalties.

In view of the foregoing, the accuracy and completeness of the trade and other payables balance of Kshs.238,751,094 could not be confirmed.

16. Budgetary Control and Performance

During the year under review, the Company's budget of Kshs.345,336,000 was approved by the Board on 3 July, 2019 which was five (5) months after the time set by Section 205 (1) of the Public Finance Management (County Governments) Regulations, 2015. There was no documentary evidence to confirm that the County Executive Committee Member responsible for water approved the budget and submitted it to the County Treasury for further approval.

Further, the Company did not prepare and include statement of comparison of budget and actual amounts for the year ended 30 June, 2020. However, a review of the approved budget provided for audit and the actual balance reported in the financial statement revealed that the Company had a budgeted income of Kshs.345,336,000 against actual income of Kshs.572,406,680 resulting in an over collection of Kshs.227,070,680. Similarly, the Company had a budgeted expenditure of Kshs.345,336,000 against actual expenditure of Kshs.417,199,490 leading to over expenditure of Kshs.71,863,490. In addition, there were no vote-book as required by Section 15(1) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstance, the Management is in breach of the regulations.

17. Failure to Withhold VAT

The Company was appointed a withholding VAT agent on 17 October, 2018 by the Kenya Revenue Authority in accordance with Section 25(a) of the VAT Act 2013. However, the Company did not compute, deduct and submit withholding VAT to the Commissioner of domestic taxes during the year under review for expenditures amounting to Kshs.70,198,916.

Consequently, Management is in breach of the law.

18. Non Remittance of Statutory Deductions

During the year under review, an amount of Kshs.6,403,419 was deducted from the employees as P.A.Y.E. However, the amount was not remitted to Kenya Revenue Authority. Further, the Company did not remit to the respective institution an amount of Kshs.307,000 deducted as National Social Security Fund contribution and an amount of Kshs.1,370,250 for National Hospital Insurance Fund.

Consequently, the Management was in breach of the law.

19. Human Resources

19.1 Irregular Appointment of Senior Management

The Management appointed a corporate affairs manager, technical service manager, commercial manager and a human resource manager. However, there were no documentary evidence to confirm the positions were competitively filled. The

appointment letters did not indicate the duties of the officers appointed. A review of the personal files for the officers did not have the necessary documents.

The Company appointed twenty-three (23) casual employees to permanent positions with effect from 1 August, 2019. However, there were no documentary evidence provided to show that the positions were competitively filled. The appointment letters of the employees did not indicate the officers' job title or job group.

In the circumstances, the Company may not have employed competent and experienced personnel for the positions.

19.2 Irregular Engagement of Casuals

During the financial year under review, the Management spent an amount of Kshs.432,235 on payment of casual wages for eighteen (18) temporary staff. However, the relevant records showing how the temporary employee were engaged, reason for their recruitment, terms and conditions of engagement and approval from the board to engage temporal employees were not provided for audit review. Further, muster rolls for the temporary workers were not provided for audit review to confirm the existence of the temporary employees and their departments.

In view of the foregoing, it has not been possible to ascertain the validity of the expenditure of Kshs. 432,235 on temporary employees as at 30 June, 2020.

20. Weak Internal Controls on Expenditure

Examination of the procedures in processing the expenditure revealed weaknesses in enforcement of internal controls designed for ensuring effective administration of public funds. Payments vouchers were not examined before payment. Further, vote book certificate on the payment vouchers did not indicate details of the approved estimate for the items, total expenditure commitments and the balance thereof.

Consequently, the effectiveness of the internal controls for expenditures for the year under review could not be ascertained.

21. Non-Revenue Water

During the year under review, the Company's master meter that records water produced was faulty. The water Company could only estimate the amount of water produced and had no facts of the actual units of water produced for sale.

In the circumstances, the performance of the Company could not be measured.

22. Operating Without a Schemes of Services

Audit review of the payroll revealed that the Company engaged one hundred and thirteen (113) employees on permanent terms while seventeen (17) employees were engaged on contract terms as at 30 June, 2020. However, there was no approved scheme of service to determine the staffing levels.

As a result, the adequacy and appropriateness, job description, requirement, the existence and the necessity to fill vacancies or the possibility of staff progression could not be ascertained.

23. Payment Through Manual Payroll

The statement of comprehensive income and Note 5 to the financial statements reflects an amount of Kshs.78,718,482 in respect to personnel costs for the year ended 30 June, 2020. Included in this balance is an amount of Kshs.4,200,000 paid to the Managing Director, Kshs.2,400,000 for the Technical Manager and Kshs.1,800,000 to Commercial Manager who were paid manually without indicating earnings and deductions. No reason was provided why these senior officers were not paid through the Company's payroll.

Consequently, the validity of the expenditure could not be confirmed.

24. Failure to Establish an Audit Committee

The Management had not established an Audit Committee contrary to Section 167 of the Public Finance Management (County Governments) Regulations, 2015 which requires County Government entities to establish Audit Committees in accordance with prescribed regulations to monitor the entities' governance processes, accountability processes and control systems, offer objective advice on issues concerning risk control and governance and associated assurance and also follow up on the implementation of the recommendations of internal and external auditors.

In the circumstances, the existence of effective overall governance measures at the Company could not be confirmed.

25. Lack of Internal Audit

The Management had not established an internal audit unit contrary to Section 155 of the Public Finance Management Act, 2012, which states that a County Government entity shall ensure that it complies with the Act and has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board. In the absence of an internal audit department, the Company's internal control system may not be effective.

Consequently, Management was in breach of the law.

26. Non-Preparation of Procurement Plan

During the financial year under review, the Company did not plan its procurement through the annual procurement plan contrary to Section 45(3) of the Public Procurement and Asset Disposal Act, 2015 which requires all procurement processes to be within the approved budget of the procuring entity and to be planned through an annual procurement plan.

In the circumstances, the Company was in breach of procurement laws.

27. Weak Management of Debtors

The trade and other receivables increased from an amount of Kshs.538,476,371 as at 30 June, 2019 to an amount of Kshs.806,880,558 as at 30 June, 2020. However, internal controls for debtors were not operating in an effective manner as observed below;

- i) The Management had not put in place strategies to recover the customer debts for water sales.
- ii) There were no updated debtors' ledger to indicate balances brought forward, amount accrued for the current period, payment received from debtors and balance carried forward.
- iii) The debtors were not regularly circularized for confirmation.
- iv) The Company did not age its debtors during the year under review to evaluate recoverability of the debtors.
- v) Demand notes were not issued to customers with outstanding water bills.

Failure by the Company to collect the outstanding debts may have negatively impacted on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report , I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and 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 liquidate the Company or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, and Internal Controls, Risk Management and Governance sections of my report, I was

not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of the Garissa Water and Sewerage Company in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

14 February, 2022

GARISSA WATER AND SEWERAGE COMPANY LTD
 STATEMENT OF COMPREHENSIVE
 INCOME
 FOR THE YEAR ENDED 30TH JUNE 2020

	Note	2019-2020 Kshs	2018-2019 Kshs
INCOME			
Income from operations	4	437,360,360.00	319,415,541
Other income	4	135,046,320.00	153,021,232
TOTAL		572,406,680	472,436,773
EXPENDITURE			
Personnel Cost	5	78,718,482.00	74,658,844
Directors Emoluments	6	1,628,000.00	1,347,000
Administrative Expenses	7	44,436,753.80	41,603,251
Operating Expenditure	8	175,294,955.77	131,503,232
Finance Cost	9	2,021,511.94	1,686,183
Audit Fees	10	233,856.00	233,856
Depreciation Expenses	11	14,530,563.00	16,360,447
Project Costs	19	114,865,930.00	25,463,344
TOTAL		431,730,053	292,856,156
Surplus or Deficit from operation		140,676,627	179,580,617
Net surplus/Deficit for the year		140,676,627	179,580,617

GARISSA WATER AND SEWERAGE CO. LTD
 STATEMENT OF FINANCIAL POSITION
 AS AT 30TH JUNE 2020

	Note	2019-2020 Shs	2018-2019 Shs
ASSETS			
Non-Current Assets			
Property and Equipment	11	110,782,182	124,038,859
		<u>110,782,182</u>	<u>124,038,859</u>
Current Assets			
Trade and Other Receivables	12	806,389,466	514,052,137
Cash and Cash Equivalents	13	491,092	24,424,235
		<u>806,880,558</u>	<u>538,476,371</u>
Current Liabilities			
Trade and Other Payables	14	238,751,094	120,120,167
Bank overdraft Suspense	15	10,000,000	14,160,044
		<u>248,751,094</u>	<u>134,280,211</u>
Net Current Assets		<u>558,129,464</u>	<u>404,196,160</u>
TOTAL ASSETS		<u><u>668,911,646</u></u>	<u><u>528,235,019</u></u>
EQUITY AND LIABILITIES			
Share capital	16	100,000	100,000
Capital fund	17	31,758,485	31,758,485
Revenue Reserve	18	637,053,161	496,376,534
		<u>668,911,646</u>	<u>528,235,019</u>
Non-Current Liabilities			
TOTAL EQUITY AND LIABILITIES		<u><u>668,911,646</u></u>	<u><u>528,235,019</u></u>

The financial statements on pages were approved for issue by the board of directors on
 25/09/2020 2019 and were signed on its behalf by:



 Chairman



 Director

GARISSA WATER AND SEWERAGE COMPANY LTD
 STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30TH JUNE 2020

	Share capital	Revenue reserve	Capital Fund	Total
	Kshs	Kshs	Kshs	Kshs
1 st July 2018				
As stated	100,000	316,795,917	31,758,485	348,654,402
Adjusted Net Surplus for the year	-	179,580,617	-	179,580,617
At 30 th June 2019	100,000	496,376,534	31,758,485	528,235,019

1 st July 2019				
As stated	100,000	496,376,534	31,758,485	528,235,019
Adjusted Net Surplus for the year	-	140,676,627	-	140,676,627
At 30 th June 2020	100,000	637,053,161	31,758,485	668,911,646

GARISSA WATER AND SEWERAGE COMPANY LTD
 STATEMENT OF CASHFLOWS
 FOR THE YEAR ENDED 30TH JUNE 2020

	2019-2020 Shs	2018-2019 Shs
Cashflow from operating activities		
Surplus for the year	140,676,627	179,580,617
Add back:		
Depreciation	14,530,563	16,360,447
	<u>155,207,190</u>	<u>195,941,064</u>
Adjustment for working capital:		
Decrease/Increase in Trade and other Receivables	(268,404,187)	(158,372,707)
Increase/Decrease in Trade and other Payables	114,470,883	20,434,023
Net cash generated from operating activities	<u>(153,933,304)</u>	<u>(137,938,684)</u>
Cashflow from investing activities		
Purchase of Property, Plant & Equipment	(1,273,866)	(51,279,387)
Net cash utilised in investing activities	<u>1,273,866</u>	<u>(51,279,387)</u>
Cashflow from financing activities		
Bank Overdraft	10,000,000	14,460,044
Net cash generated from financing activities	<u>10,000,000</u>	<u>14,460,044</u>
Net(decrease)/ increase in cash and cash equivalent	12,547,752	21,183,037
Cash and Cash Equivalent as at 1.7. 2019	<u>54,265,365</u>	<u>33,082,328</u>
Cash and Cash Equivalent as at 30.6. 2020	<u>66,813,118</u>	<u>54,265,365</u>

GARISSA WATER AND SEWERAGE COMPANY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2020

1. Statement of compliance and basis of preparation

Garissa Water and Sewerage Company Limited's financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the company. The accounting policies have been consistently applied to all the years presented.

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

2. Summary of significant accounting policies

a) Revenue recognition

Garissa Water and Sewerage Company recognize revenue from water charges, reconnections, renewal, penalties and other income.

b) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

c) Provisions

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

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

GARISSA WATER AND SEWERAGE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2020

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

➤ ***Contingent liabilities***

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

➤ ***Contingent assets***

The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

d) Nature and purpose of reserves

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

e) Changes in accounting policies and estimates

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

f) Employee benefits

➤ **Retirement benefit plans**

The Entity provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

GARISSA WATER AND SEWERAGE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2020

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank 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 financial year.

h) Comparative figures

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

i) Significant judgments and sources of estimation uncertainty

➤ ***Estimates and assumptions***

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

➤ ***Useful lives and residual values***

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

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

➤ ***Depreciation***

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

- | | |
|--------------------------|-------|
| • Land and Buildings | 2% |
| • Furniture and Fittings | 12.5% |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2020

• Equipment and Facilities	12.5%
• Motor Vehicles	20%
• Computers	33%
• New Pipeline Extensions	10%
• Boreholes	10%

➤ ***Disposal of property and equipment***

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

J) Subsequent events

There have been no events subsequent to the financial year-end with a significant impact on the financial statements for the year ended June 30, 2019.

3. In-kind contributions

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2020**

	2019-2020 AMOUNT Kshs	2018-2019 AMOUNT Kshs
NOTE 4		
Operational Income		
Water sales during the year	434,869,990	316,845,841
Other income	2,490,370	2,569,700
Sub-Total	437,360,360	319,415,541
Other income		
WSTF - EU Share Gababa project		5,108,974
EU Share Shimbrey project		4,659,085
EU Share Korakora project		4,185,887
EU Share Labibombi project		554,123
WSTF-Bulla Noor Project		-
WSTF-Emergency drought Response Project		-
WSTF - Public Sanitation Facility Project		3,095,238
GGEP - Harajab water project		4,557,245
GGEP - Libahlow water project		4,560,322
GGEP - Shebta-aad water project		4,153,192
Tender documents sale		-
Grant-in Aid (GOK) County Government of Garissa		10,381,445 111,765,721
WSDP	135,046,320	
Sub-Total	135,046,320	153,021,232
Total	572,406,680	472,436,773
NOTE 5		
Personnel costs		
Salaries, Wages & Statutory deductions	78,282,482	74,308,579
Training and workshop	431,000	350,265
Staff Uniform	5,000	-
Total	78,718,482	74,658,844
NOTE 6		
Directors Emoluments		
Chairman's Honoraria	800,000	960,000
Directors Allowance	828,000	387,000
Total	1,628,000	1,347,000

GARISSA WATER AND SEWERAGE COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2020

	2019-2020 AMOUNT Kshs	2018-2019 AMOUNT Kshs
NOTE 7		
General Administrative Expenses		
Travelling and Accomodation	4,232,600	1,488,050
Stationery and Printing	278,100	778,000
Professional and Legal Services	250,000	4,860,750
Postal /telephone/courier services	1,069,572	1,323,655
Insurance(motor Vehicle& Bikes)	9,000	1,200
Electricity-Administration	159,076	230,035
Promotion and Advertisement	890,588	1,041,000
Staff Welfare and Utility	2,151,472	3,022,362
WASCA Sports	-	-
WASPA	-	36,000
Corporate Social Responsibility	-	15,000
Provision for Bad & Doubtful Debts	34,976,346	28,297,199
Rent	420,000	510,000
Total	44,436,754	41,603,251
NOTE 8		
Operating Expenditure		
Operation and Maintainance	71,186,520	36,993,344
Electricity	58,364,298	58,174,055
Transport operations and maintainance	5,147,767	5,328,906
Maintainance of plants,Equipment & Structure	21,535,530	13,209,649
Security Services	1,656,480	1,662,510
Chemicals	14,244,080	12,961,340
NWSB Levy	-	-
Garissa Municipal Council Levy	-	-
WASREB Levy	1,360,281	1,373,428
WARMA Levy	1,800,000	1,800,000
Total	175,294,956	131,503,232
NOTE 9		
Finance Cost		
Bank charges	2,021,512	1,686,183
Total	2,021,512	1,686,183

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2020**

	2019-2020 AMOUNT Kshs	2018-2019 AMOUNT Kshs
NOTE 10		
Provision for audit fees		
Provision for the year 2019-2020	233,856	233,856
Total	233,856	233,856
NOTE 11		
Refer to page 31		
		804,079,466
	804,079,466	
NOTE 12		
Trade and other Receivables		
Trade Debtors	804,079,466	512,134,148
Share receivable	100,000	100,000
imprest	2,210,000	1,747,800
Salary Advance	-	-
Prepayment	-	70,189
Total	806,389,466	514,052,137
For the year 2019-2020, a general provision of 5% has been made		
NOTE 13		
Cash and cash Equivalent		
Revenue Accounts - FCB (2976982901)	543,369	1,018,858
Development Account - KCB (1107767741)	127,473	8,024,139
Reserve Account - equity (058029748463)	-	-
General Account - FCB (2976982903)	(1,551,198)	-
Reserve Account -FCB (2976982902)	46,438	399,200
Cash in Hand	-	-
Cash in M-pesa (880600)	-	865,579
Post Bank Account (0744130011397)	364,938	207,080
Bulla Noor Project (0113437629101)	-	2,039
Drought Emergency Project (1207726249)	-	993
WSTF - EU Share Gababa project (0340002402)	-	29,680
EU Share Shimbrey project (0340002403)	-	849,313
EU Share Korakora project (0340002404)	-	61,950
EU Share Labibombi project (0340002405)	-	22,872
WSTF - Public Sanitation Facility Project (2976982917)	-	513,383
GGEP - Harajab water project (2976982918)	472,922	4,265,415
GGEP - Libahlow water project (2976982919)	14,228	4,304,372

GARISSA WATER AND SEWERAGE COMPANY LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2020**

	2019-2020 AMOUNT Kshs	2018-2019 AMOUNT Kshs
GGEP - Shebba-aad water project (2976982920)	472,922	3,859,362
Total	491,092	24,424,235
NOTE 14		
Trade and other Payable		
Trade Creditors	73,523,924	38,616,046
Provision for Audit fees	233,856	233,856
PAYE	26,968,735	20,565,316
NITA	46,300	5,200
NSSF	150,200	206,200
NHIF	114,500	120,600
HELB	3,655	3,655
Salaries Accrued	5,115,654	2,647,585
NUWASE	1,007,035	573,644
Equity Bank Check-off	274,241	149,336
Co-op Bank Check-off	295,834	117,010
Platinum Credit Check-off	488,188	264,652
Staff Welfare	-	-
Salary Advances	-	-
Maji Self Help Group	-	-
Pension Contribution Accrued	18,939,206	17,090,506
WASREB Levy Accrued	9,415,346	8,055,065
WARMA Levy Accrued	8,915,000	9,415,000
NWSB Levy Accrued	12,008,574	12,008,574
Garissa Municipal Council Levy Accrued	7,726,923	7,726,923
Meter Deposits	73,523,924	2,321,000
Total	238,751,094	120,120,167
NOTE 15		
Development Account - KCB		-
General Account - FCB	10,000,000	14,160,044
Reserve Account - FCB		-
Revenue Account - FCB		-
Bank overdraft		-
Total	10,000,000	14,160,044

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2020**

	2019-2020 AMOUNT Kshs	2018-2019 AMOUNT Kshs
Buildings-Generator house		300,000
Equiping of borehole with Genset and Groundfos pump		1,800,000
Pipeline, fittings and appurtances structures		2,008,600
Elevated 8m ³ plastic tank on concrete tower		700,000
2 No. water kiosk		842,000
1No. 2 door VIP Latrine		196,250
Fencig of borehole perimeter		81,600
Community mobilization & sensitization		-
Project Monitoring & Site Visit		90,000
Capacity Building		9,193
Branding		
Sub-Total Shimbrey borehole Drilling	-	9,261,443
KORAKORA WATER SUPPLY REHABILITATION		
Pleriminary and general items - signboard		50,000
50M ³ Elevated Steel Tank on 6M tower		1,540,049
4 Km Pipeline and Appurtures		2,178,970
1 No. in-situ water kiosk		428,635
1 No Stand Pipe		30,099
1No 2 door VIP		20,607
Community mobilization & sensitization		-
Project Monitoring & Site Visit		95,000
Capacity Building		7,773
Branding		20,000
Commissioning		-
Sub-Total Korakora Water Supply Rehabilitation	-	4,371,133
LABIBOMBI WATER PAN		
Construction of 20,000M ³ Water Pan Including Fencing		1,092,985
Portable 10HP pump, to pump water for livestock to the cattle troughs		100,000
Supply and Lay 500M, 50mm dia. UPVC class B pipe to cattle trough		50,000
1No. Shallow well equipped with a hand pump (Afridev) and connected with infiltration Galley		269,138
2No. Cattle trough		-
1No 2door VIP		-
Community mobilization & sensitization		-
Project Monitoring & Site Visit		75,000
Capacity Building		5,877
Branding		18,000
Sub-Total Labobombi Water Pan	-	1,611,000

GARISSA WATER AND SEWERAGE COMPANY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2020

	2019-2020 AMOUNT Kshs	2018-2019 AMOUNT Kshs
BULLA NOOR PROJECT		
Administrative requirements		-
Accompanying measures		-
Construction of 1No. Closed kiosks		-
Pipeline Extensions		-
Construction of 1No. 300m3 Steel tank		-
Construction of 1No. Closed kiosks		-
Pipeline Extensions		-
Sub-Total bulla Noor Water Project	-	-
EMERGENCY DROUGHT RESPONSE PROJECT		
REHABILITATION OF BOREHOLES		
Amuma Borehole rehabilitation		-
Abdisamad Borehole rehabilitation		-
Dujis Borehole rehabilitation		-
Skanska 2 Borehole rehabilitation		-
Baraki (Kokar) Borehole rehabilitation		-
Bahuri Borehole rehabilitation		-
Ijara Water Tracking		-
Desilting Auliya water pan		-
Desilting Afuweine Water pan		-
Desilting Ijara water pan		-
Desilting Tinas water pan		-
Administrative Costs		-
Sub-Total Drought Emergency Response	-	-
PUBLIC SANITATION FACILITY PROJECT		
Accompanying measures for the project		102,830
Transport Costs		88,000
Administrative requirements		82,670
Construction of 1PSF and a septic Tank		3,701,530
Consultant fee to design and support the new PSF		200,000
Sub-Total Public Sanitation Facility	-	4,175,030
HARJAB WATER AND SANITATION PROJECT		
Project Design	91,237	
Environmental Impact Assessment	-	150,000
Advertisement	39,680	60,320
Project Administration	50,000	41,790
Project supervision, Monitoring and Contract Management	842,212	
Sub-total Harajab Water & Sanitation Project	931,892	252,110
LIBAHLAW WATER AND SANITATION PROJECT		
Project Design	91,238	

GARISSA WATER AND SEWERAGE COMPANY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2020

	2019-2020 AMOUNT Kshs	2018-2019 AMOUNT Kshs
Environmental Impact Assessment	-	150,000
Advertisement	39,680	60,320
Borehole Drilling	2,800,000	
Borehole hybrid equipping & protection works	1,214,898	
Project Administration	4,370	45,630
Sub-total Libahlow Water & Sanitation Project	4,058,948	255,950
SHEBTA - AAD WATER AND SANITATION PROJECT		
Project Design	91,238	
Environmental Impact Assessment	-	150,000
Advertisement	39,680	60,320
Borehole Drilling	2,000,000	
Borehole hybrid equipping	1,200,000	
Project Administration	3,720	65,510
Project supervision, Monitoring and Contract Management	500,560	18,000
Sub-total Shebta-aad Water & Sanitation Project	3,743,960	293,830
Sub-Total Prject Costs		25,463,344
Add: Opening Balances of projects Carried forward		
Less: Opening Balances of Projects Carried forward		25,463,344
Water Sanitation Development Project (WSDP)		
Domestic travel and subsistence		
Foreign travel & subsistence	-	-
printing & advertising	-	-
Hospitality supplies & services	-	-
Civil works	-	-
Office consumables	-	-
Purchase of Air tickets	-	-
Procurement of vehicles	91,431,130	-
Vehicle mentainance	-	-
Insurance costs	-	-
Training and workshops	-	-
Office equipments	-	-
Office furniture	-	-
Others (Plastic Tanks)	14,700,000	-
	106,131,130	-
Total Project Costs	114,865,930	

GARISSA WATER AND SEWERAGE COMPANY LTD
PROPERTY PLANT AND EQUIPMENT
AS AT 30TH JUNE 2020

1,048,586.00

NOTE 11

Cost or Valuation:	Land and Buildings Kshs	Computers Kshs	Equipment Kshs	Furniture and Fittings Kshs	Motor Vehicles and Bikes Kshs	Pipeline Extensions Kshs	Boreholes Kshs	Total Kshs
At 01/07/2019	709,839	717,197	69,800,707	1,816,373	688,464	20,606,793	29,699,487	124,038,859
Additions:	-	-	1,048,586	225,300	-	-	-	1,273,886
Disposals	-	-	-	-	-	-	-	-
Total as at 30/06/2020	709,839	717,197	70,849,293	2,041,673	688,464	20,606,793	29,699,487	125,312,745
Net Book Value: As at 30th June 2020	709,839	717,197	69,800,707	1,816,373	688,464	20,606,793	29,699,487	124,038,859
Additions	-	-	1,048,586	225,300	-	-	-	1,273,886
As at 30th June 2020 Before depreciation	709,839	717,197	70,849,293	2,041,673	688,464	20,606,793	29,699,487	125,312,745
DEPRECIATION:	2%	33%	12.5%	12.5%	20%	10%	10%	
As at 01/07/2019	76,705	3,170,042	34,793,537	1,900,328	11,406,040	10,714,066	3,299,943	65,360,660
Charge for the Year	14,197	236,675	8,856,162	255,209	137,693	2,060,679	2,969,949	14,530,563
Total Depreciation	90,901	3,406,717	43,649,698	2,155,537	11,543,733	12,774,745	6,269,892	79,891,223
Net Book Value: As at 30th June 2019	709,839	717,197	70,849,293	2,041,673	688,464	20,606,793	29,699,487	125,312,745
As at 30th June 2020	695,642	480,522	61,993,131	1,786,664	550,771	18,546,114	26,729,538	110,782,182