

REPUBLIC OF KENYA



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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

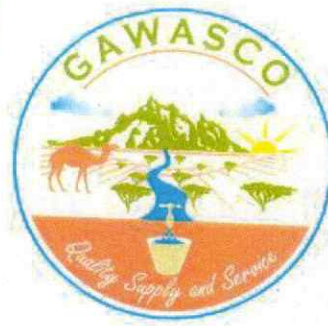
OF

THE AUDITOR-GENERAL

ON

**GARISSA WATER AND SEWERAGE
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2025**



GARISSA WATER AND SEWERAGE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

Prepared in accordance with the International Financial Reporting Standards (IFRS) Accounting
Standards

Garissa Water and Sewerage Company Ltd
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1. Acronyms and Glossary of Terms

A. Acronyms

CEO	Chief Executive Officer
DG	Director General
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
ICS	Institute of Certified Secretaries
MD	Managing Director
NT	National Treasury
PFMA	Public Finance Management Act.
WASREB	Water Services Regulatory Board
GAWASCO	Garissa Water and Sewerage Company
WSTF	Water Sector Trust Fund
WSDP	Water and Sanitation Development Project
WARMA	Water Resource Management Authority
CLSG	Conditional Liquidity Scheme Grant

B. Definition of Key Terms

Fiduciary Management - Members of Management directly entrusted with the entity's financial resources.

Comparative Year- Means the prior period.

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2. Key Entity Information

Background information

The Garissa Water and Sewerage Company Ltd was established by the Companies Act (CAP 486) of Parliament on 6th July 2004. At the County level, the Company is represented by the County Executive Member responsible for water and sanitation, who, together with the board of directors, is responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya and operates in Garissa town.

Principal Activities

The principal activity/mission of Garissa Water and Sewerage Company is to improve the quality of life through the provision of potable water services in an environmentally and commercially sustainable manner to the satisfaction of our stakeholders, while managing sewerage services across Garissa Township.

Directors

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

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

Company Secretary

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

Corporate Headquarters

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

Corporate Contacts

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

Corporate Bankers

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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

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



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

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3. The Board of Directors



Directors	Details
	<p>Mr. Mohamed Dhahir Werah, aged 65 (Chairperson of the Board)</p> <p>He has a Diploma in lab Technician.</p> <p>Represents: A member of the Kenya Union of Medical lab officers.</p>
	<p>Mr. Osman Mohamed Barkatle, aged 65</p> <p>He has a certificate in Secondary education.</p> <p>Represents: the Garissa business community</p> <p>Status: Member of the board and also the audit committee</p>
	<p>Ms. Jane Akoth Okalo, aged 46</p> <p>She has a certificate in Secondary education.</p> <p>Represents: The Religious community</p> <p>Status: Member of the Board and also chairs the Audit Committee</p>

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 A portrait of Mr. Ismail Daud, an elderly man with a white beard and mustache, wearing a white traditional cap and a yellow shirt, set against a red background.	<p>Mr. Ismail Daud, aged 65</p> <p>Represents: Farmers</p> <p>Status: Member of the Board</p> <p>Has a Diploma in organic farming.</p>
 A portrait of Mr. Mohamed Mohamud Dolal, a man with short dark hair, wearing a white button-down shirt, standing outdoors with greenery in the background.	<p>Mr. Mohamed Mohamud Dolal, aged 47</p> <p>Qualifications: MBA (Public Administration & Management)</p> <p>Experience: worked in various positions within GAWASCO. Recently, he was the Former Corporate Manager of GAWASCO before being appointed as the Managing Director.</p> <p>Status: Managing Director and secretary to the Board</p>

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4. Key Management Team

Managers	Details
	<p>MOHAMED MOHAMUD DOLAL Managing Director (M.D). MBA (Public Administration & Management)</p> <p>He served with the company for nearly two decades in various capacities, he was the immediate Commercial manager before ascending to the current position of Managing Director.</p>
	<p>CHRISTOPHER WAHOME KAMAU Technical Services Manager. BSC Water and Environment</p>

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	<p>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)</p>
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5. Chairman's Statement

It is my honour and privilege to present the last financial year's summary report on behalf of the Board of Directors of Garissa Water and Sewerage Company (GAWASCO). The past year has been one of progress, transition, and strategic reorientation, as we continued to deliver on our core mandate — provision of reliable, safe, and affordable water and sewerage services to the residents of Garissa.

Key Activities and Milestones

Among the most significant developments this year was the successful rollout of our new Enterprise Resource Planning (ERP) system. This marked a major leap forward in modernising our operations. The ERP system has integrated functions such as billing, customer service, human resources, inventory, and finance into one centralised platform. This has not only improved internal efficiency but also enhanced accountability and transparency in our service delivery.

We also undertook key infrastructure improvements, including rehabilitation of broken pipelines, drilling of new boreholes, and expansion of our sewer network to underserved areas. These projects were aimed at strengthening water production and distribution capacity in response to increasing demand.

Our community outreach programs remained a strong pillar of our activities. Through public barazas, media engagements, and partnership forums, we enhanced awareness on water conservation, hygiene practices, and customer responsibilities. This community-centric approach helped us improve customer satisfaction and service coverage.

Successes Consolidated

This year saw a notable improvement in revenue collection efficiency, driven by the automation brought about by the ERP system and reinforced customer engagement. Non-revenue water was slightly reduced through intensified monitoring, metering, and a crackdown on illegal connections. Internally, we also made strides in staff training and development to ensure that our team remains competent, motivated, and aligned with the organisation's strategic goals.

We successfully maintained supply during prolonged dry spells by optimising our water production and adopting water trucking as a short-term emergency measure in the most affected areas. The board also strengthened governance and oversight mechanisms, ensuring that strategic decisions were data-driven and responsive to emerging challenges.

Challenges Faced

Despite these gains, GAWASCO continues to operate in a challenging environment. Non-revenue water remains high, mainly due to old infrastructure, illegal connections, and meter tampering. Financial constraints, especially delayed payments by institutional consumers, impacted our liquidity and limited our ability to invest in critical capital projects. Additionally, climate change effects — including droughts and flooding — continue to stress water availability and system resilience.

Outlook and Way Forward

Looking ahead, the Board is committed to steering GAWASCO toward a more sustainable, customer-focused, and technology-driven future. We intend to further optimise the ERP system's capabilities and expand our renewable energy use for pumping stations to reduce operational costs.

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Addressing non-revenue water will remain a top priority through infrastructure replacement, active leak detection, and stricter enforcement on illegal connections.

We are also working closely with the County Government and development partners to mobilise additional funding for large-scale infrastructure development. Capacity building for staff, public-private partnerships, and stakeholder collaboration will form the backbone of our next strategic plan.

In conclusion, I extend my heartfelt appreciation to the entire Board, management, staff, partners, and the people of Garissa for their continued support and trust. Together, we shall continue to build a water-secure future for our county.

6. Report of the Managing Director

I am pleased to present the Managing Director's annual report for Garissa Water and Sewerage Company for the financial year 2024-2025. This report outlines the key activities undertaken by the Company, highlights our major achievements, examines the challenges we encountered, and provides a forward-looking outlook for the organization. Despite an increasingly challenging operating environment, the company remained focused on its mandate to provide reliable, safe, and affordable water and sewerage services to the people of Garissa.

1. Key Activities Undertaken

During the year under review, GAWASCO implemented several transformative initiatives aimed at enhancing operational efficiency, improving service delivery, and positioning the company for long-term sustainability.

1.1 Implementation of the ERP System

One of the most significant milestones achieved during the year was the successful deployment of a comprehensive **Enterprise Resource Planning (ERP)** system. The system now integrates key functions, including customer billing, human resources, financial management, procurement, stores management, and asset tracking.

The ERP system has enabled real-time data access and improved reporting capabilities, which in turn have enhanced transparency, accountability, and responsiveness in operations. With this system in place, GAWASCO is better equipped to address customer complaints, manage revenue collection, monitor inventory, and track employee performance in an efficient and coordinated manner.

1.2 Infrastructure Improvement Projects

We continued to invest in upgrading and expanding our water infrastructure. Key activities included:

- Drilling and equipping of new boreholes to meet the growing water demand.
- Rehabilitation and replacement of dilapidated water distribution pipelines.
- Extension of sewer lines to newly developing areas within the Garissa municipality.

1.3 Customer Engagement and Public Awareness

The company conducted several public forums, media engagements, and school outreach programs to educate the community on water conservation, sanitation, and the importance of timely bill payment. These initiatives have contributed to a gradual improvement in customer trust and cooperation.

2. Successes Consolidated

Despite a tough economic climate, the company achieved notable progress in several areas:

2.1 Revenue Collection and Efficiency Gains

With the rollout of the ERP system and improved billing accuracy, we registered a significant improvement in monthly revenue collection. The automation of meter reading and integration with mobile payment platforms also helped streamline the billing process and reduce losses.

2.2 Reduction in Non-Revenue Water

Through targeted interventions, such as leak detection, replacement of faulty meters, and a crackdown on illegal connections, the company made headway in reducing non-revenue water. Although still above acceptable levels, we made a commendable reduction compared to the previous year.

2.3 Staff Training and Development

GAWASCO prioritized capacity building through targeted training in IT systems, financial management, customer service, and operations. This has helped improve staff morale and productivity, while also aligning employee performance with strategic goals.

3. Challenges Faced

While we made great progress, we continued to grapple with several persistent challenges that constrained our operations and financial performance:

3.1 Huge Pending Bills

The company continues to face a significant financial burden due to pending bills, especially from government institutions and commercial consumers. These unpaid bills limit our cash flow and affect our ability to finance key operational and capital expenditures.

3.2 High Electricity and Chemical Costs

Our water production and treatment operations are energy- and chemical-intensive. Rising electricity tariffs and the high cost of water treatment chemicals continue to strain our budget. In many months, these two-line items alone consumed a huge percentage of our operational expenditure.

3.3 Ageing Infrastructure

Most of our water and sewer networks are aged and prone to frequent breakdowns, leakages, and losses. This not only affects service continuity but also contributes to high non-revenue water and increased maintenance costs.

3.4 Climate Change and Environmental Pressures

Flooding has a significant impact on GAWASCO's water intake systems and overall water quality. During heavy rains, floodwaters often carry large volumes of silt, debris, and organic matter into our surface water sources, leading to a sharp increase in turbidity levels. High turbidity not only compromises the clarity and safety of the raw water but also places a heavy burden on our treatment

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processes, requiring more chemicals and extended filtration times to produce clean, safe water. In some cases, flooding damages intake infrastructure, disrupts pumping operations, and temporarily reduces supply to consumers. These disruptions result in higher operational costs, service interruptions, and increased pressure on our already strained water resources.

4. Financial Performance Overview

GAWASCO's total revenue collection improved marginally during the financial year, driven mainly by increased billing efficiency from the ERP system and enhanced customer engagement. However, our expenditure remained high, driven by escalating power costs, chemical prices, and emergency maintenance activities.

The company closed the year with a growing backlog of unpaid supplier invoices and statutory obligations. Despite these financial challenges, we managed to sustain core operations and implement critical service improvement initiatives.

We recognize the need to strengthen our financial management strategies, explore alternative revenue streams, and advocate for timely payments from major consumers to enhance our financial position.

5. The Way Forward

GAWASCO remains committed to delivering high-quality water and sanitation services. Our outlook is anchored on four strategic pillars:

1. **Operational Efficiency** – Full utilization of the ERP system, scale-up of collection efficiency, and continued automation of core processes.
2. **Financial Sustainability** – Strengthening revenue collection, controlling operational costs, and aggressively pursuing pending bill recovery from institutional clients.
3. **Infrastructure Resilience** – Mobilizing funds for pipeline rehabilitation, smart metering, and the development of alternative water sources, including rainwater harvesting and surface water treatment.
4. **Strategic Partnerships** – Deepening collaboration with the County Government, donors, the private sector, and community organizations to fund infrastructure and build institutional capacity.

Conclusion

I take this opportunity to thank the Board of Directors for their strategic leadership, our dedicated staff for their tireless efforts, our County Government and development partners for their unwavering support, and most importantly, the residents of Garissa Township for their patience and cooperation.

Though the journey ahead is challenging, I am confident that with collective effort and commitment, GAWASCO will rise above the obstacles and continue to transform lives through reliable water and sanitation services.

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7. Statement Of Performance Against Predetermined Objectives for FY 2024/25

The company has five strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 24-25. These strategic pillars/ themes/ issues 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 organisational structures and operational processes

Pillar 5: Strengthen people and communication systems

The company develops its annual work plans based on the above five pillars/Themes/Issues.

Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets set for the FY 2024/2025 period for its main strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1:	Increase access to clean and safe drinking water and sanitation services	<ul style="list-style-type: none"> Coverage of the Service Area 	<ul style="list-style-type: none"> Increase water coverage from 60% in the year 2024 to 100% coverage by 2025. Increase sewerage coverage from 30% to 50% coverage by 2025. Increase water production volume from 10,000m³ /day to 20,000m³ /day. 	<ul style="list-style-type: none"> Water coverage is currently at 65% Sewer coverage is currently at 37% Water production volume is currently at 13,146m³ /day.

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Pillar 2:	Improve financial and operational sustainability	<ul style="list-style-type: none"> • Adoption of an ERP System. 	<ul style="list-style-type: none"> • ERP system has integrated functions such as billing, customer service, human resources, inventory, and finance into one centralised platform. 	<ul style="list-style-type: none"> • The ERP system has enabled real-time data access and improved reporting capabilities, which in turn have enhanced transparency, accountability, and responsiveness in operations. With this system in place, GAWASCO is better equipped to address customer complaints, manage revenue collection, monitor inventory, and track employee performance in an efficient and coordinated manner.
Pillar 3:	Enhance customer focus and experience	<ul style="list-style-type: none"> • Metering ratio • Water Affordability • Unaccounted for Water • Hours of Supply 	<ul style="list-style-type: none"> • Increase customer satisfaction level from 90% in 2024 to 95% by 2025. • Achieve WHO and KEBs water and wastewater standards. 	<ul style="list-style-type: none"> • The Company is in the process of acquiring a new tariff that is pro-poor and customer-friendly.

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			<ul style="list-style-type: none"> • Increases hours of supply from 22 hours' year 2024 to 23-hour years in 2025 • Develop and implement consumer engagement strategies. 	<ul style="list-style-type: none"> • By sinking 4 extra boreholes to increase production. • Digitize the customer complain system.
Pillar 4:	Strengthen organizational structures and operational processes		<ul style="list-style-type: none"> • Develop workplace policies and standard operations manuals. • Asset development. • Improve work environment safety and health. • Digitization of Human Resource processes. • Improve regulatory compliance. • Adopt continuous improvement practices. • Improve corporate governance. 	<ul style="list-style-type: none"> • The company has developed policies & procedure manuals e.g. finance metering, and NRW etc. • Acquisition of a new software complete with customer services module.
Pillar 5:	Strengthen people and communication systems		<ul style="list-style-type: none"> • Embark on continuous training of staff and development plan. • Establish a performance management plan. 	<ul style="list-style-type: none"> • We rolled out the performance management system. • Developed the communication policy. • The company has also sponsored

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			<ul style="list-style-type: none"> • Develop and implement a communication policy. • Foster innovation. • Attract and retain talent. • Increase employee satisfaction level. 	employees for trainings.
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8. Corporate Governance Statement

Garissa Water and Sewerage Company is committed to upholding the highest standards of corporate governance to ensure transparency, accountability, integrity, and sound management practices in the delivery of quality water and sanitation services. This statement outlines the governance structure and practices as implemented during the reporting year.

1. Appointment and Removal of Board Members

The Company's Board of Directors are appointed in line with the Water Act 2016 and the State Corporations Act Cap 446. The selection process is merit-based and guided by the principles of inclusivity, integrity, and professional competence. Board members are drawn from diverse backgrounds, including finance, engineering, water resource management, legal, and governance sectors.

Appointments are made through a competitive stakeholder participation procedure such that no individual or group of individuals or interests can dominate its decision-making.

Removal of directors follows provisions in the Company's Memorandum and Articles of Association, based on misconduct, non-performance, or breach of governance principles.

As of the reporting period, the Board comprised 9 members: 3 women and 6 men, with representation across age groups, professional disciplines, and ethnic diversity. The company has a Board Charter that outlines roles, responsibilities, and ethical conduct expected from the members.

2. Roles and Functions of the Board

The primary role of the Board is to provide strategic direction and oversight of the company's operations. It ensures the company remains compliant with legal frameworks and meets its performance targets. Key functions include:

- Approval of policies and strategic plans
- Monitoring financial and operational performance
- Oversight of risk management and internal controls
- Appointment and evaluation of senior management
- Ensuring sustainability and corporate social responsibility

3. Induction, Training, and Development

The Company provides a comprehensive induction program for all new Board members, covering the company's mandate, operations, governance framework, and legal obligations. During the year, continuous development sessions were conducted on topics such as public procurement, risk management, ESG (Environmental, Social, and Governance) standards, and corporate governance best practices.

4. Board and Members' Performance

The performance of the Board and its members is assessed annually through a structured self-evaluation process. The evaluation assesses individual contributions, adherence to the Board Charter, participation in meetings, and strategic input. Results of the 2024/2025 assessment showed improved performance and active engagement by all members.

5. Board Meetings and Attendance

The Board held 6 scheduled meetings and 3 special meetings during the reporting year. All members recorded attendance above 90%, indicating a strong commitment to their responsibilities. The Company Secretary maintains accurate attendance records, which are reviewed annually as part of performance evaluations.

6. Succession Planning

The Company has developed a Succession Planning Policy to ensure continuity of leadership and institutional knowledge. The policy covers both Board and senior management positions. The Human Resources Committee monitors the implementation of this plan, ensuring a pipeline of capable successors is maintained.

7. Conflict of Interest Policy

A formal Conflict of Interest Policy is in place and requires all Board members and senior staff to declare any potential conflicts at the start of each financial year or as they arise. A register of declarations is maintained, and affected individuals are recused from any related decision-making processes.

8. Board Remuneration

Board remuneration is governed by guidelines issued by the Salaries and Remuneration Commission (SRC). Members are paid a sitting allowance per meeting and receive travel reimbursement for official duties. There are no performance bonuses or share-based compensation. The remuneration policy ensures equity, transparency, and alignment with public sector norms.

9. Ethics and Conduct

The Board has adopted a Code of Ethics and Conduct, which outlines standards of honesty, integrity, accountability, and respect for the law. All members and staff are required to sign the Code annually. Ethical training is provided periodically to reinforce adherence and prevent misconduct.

10. Governance Audit

In compliance with the Code of Governance for State Corporations, a Governance Audit was conducted in the year under review by an independent certified auditor. The audit assessed governance structures, policies, risk management, and compliance. The audit confirmed significant alignment with recommended practices, and areas of improvement have been addressed in the current governance action plan.

11. Communication Policy

GAWASCO maintains an open and responsive **Communication Policy** to ensure engagement with stakeholders, including the public, regulators, and employees. Communication channels include press releases, community meetings, social media, and the corporate website. The policy promotes transparency and enhances public trust.

12. Terms of Reference of Committees

The Board operates through three key committees with formal Terms of Reference:

- **Audit and Risk Committee:** Oversees internal controls, financial reporting, and audit matters.
- **Human Resource and Governance Committee:** Handles appointments, performance management, and HR policy.
- **Finance and Technical Committee:** Reviews budgets, procurement, and infrastructure development.

Each committee meets at least quarterly and reports its deliberations to the full Board.

13. Policy on Related Party Transactions

GAWASCO has instituted a Related Party Transactions Policy to manage transactions with parties that could influence or be influenced by the company. Such transactions are subject to Board approval, are disclosed in the financial statements, and are carried out on an arm's length basis to prevent abuse and ensure fairness.

Conclusion

The Board of Garissa Water and Sewerage Company remains committed to enhancing governance practices to achieve operational excellence, regulatory compliance, and stakeholder satisfaction. The company will continue strengthening its governance framework in line with evolving industry standards and public sector reforms.

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9. Management Discussion and Analysis

1. Operational and Financial Performance (2020–2025)

Over the past five years, Garissa Water and Sewerage Company (GAWASCO) has experienced steady growth in service coverage, customer base, and financial performance. The operational strategy has been geared towards infrastructure improvement, service quality enhancement, and financial sustainability.

Table 1: Financial and Operational Highlights

Financial Year	Revenue (KES M)	Expenses (KES M)	Net Surplus (KES M)
2020/2021	303	314	(11)
2021/2022	376	278	98
2022/2023	301	284	17
2023/2024	304	324	(14)
2024/2025	307	898	(591)

The company's revenue increased slightly from KES 303 million in FY2020/21 to KES 307 million in FY2024/25. During this period, our operating expenses have also risen due to high electricity tariffs, chemical costs, and maintenance expenses.

2. Revenue Composition (2024/2025)

In FY2024/2025, revenue sources were dominated by water sales (60%), followed by sewerage services (20%), grants (15%), and miscellaneous income (5%). This reflects GAWASCO's dependency on consumer revenue and highlights the need to diversify income streams.

3. Key Projects and Investments

Completed Projects:

- **New ERP System Implementation:** For customer billing, financial reporting, and inventory management.
- **Pipeline Expansion in Bulla Iftin and Madina:** Reached an additional 2,000 households.
- **Rehabilitation of Garissa Sewerage System:** Improved wastewater treatment and compliance.

Ongoing Projects:

- **Installation of Solar-Powered Boreholes** – To reduce reliance on national grid electricity.

4. Statutory Compliance

GAWASCO complies with regulatory provisions under:

- The Water Act 2016
- Public Finance Management Act
- Kenya Revenue Authority (KRA) tax obligations
- NEMA and WASREB regulatory frameworks

Statutory returns, tax remittances, and annual reports have been submitted timely for the past three years. Internal and external audits have shown progressive improvements in compliance and internal controls.

5. Major Risks Facing the Organization

Risk Category	Description	Mitigation Measures
Climate Risks	Flooding and prolonged droughts affect intakes	Flood protection & alternative sources
Energy Costs	High power tariffs for pumping stations	Transition to solar and energy audits
Revenue Collection	Non-payment and illegal connections	Digitized metering, enforcement teams
Infrastructure Decay	Old pipelines and pump breakdowns	Rehabilitation budget, donor funding

6. Material Arrears

As of June 30, 2025:

- **Electricity Bills (KPLC):** KES 38 million
- **Trade payables:** 199 million
- **Pending employee Payments:** KES 5.7 million
- **Other payables:** 179 million

Efforts are underway to clear these obligations through staggered payment plans and improved cash flow from increased billing efficiency.

7. Economic and Sector Review

Economic Environment

Kenya's economic recovery post-COVID-19 has been moderate, but inflation and interest rate fluctuations have impacted operational costs, particularly electricity and imported chemicals. Garissa County continues to face economic pressure due to insecurity, recurrent droughts, and a high poverty index.

Sector Review

The water sector remains underfunded despite increased donor support. WASREB continues to enforce performance-based benchmarking, where GAWASCO has improved its ranking to a with strong service quality metrics but financial sustainability challenges.

8. Future Developments

- Automation of Meter Reading & Mobile Payments
- Construction of a 10,000m³ Reservoir in Garissa Township
- Water Quality Laboratory Upgrades
- Expansion into Dadaab and Balambala regions
- Climate Adaptation Strategy Development

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9. Conclusion

Management remains committed to service excellence, environmental responsibility, and financial prudence. The next phase of growth will focus on:

- Sustainable and climate-resilient infrastructure
- Reducing system losses (currently at 38%)
- Enhancing staff capacity and motivation
- Strengthening partnerships with donors and communities

We thank our stakeholders, employees, and customers for their continued support.

10. Environmental And Sustainability Reporting

Garissa Water and Sewerage Company is a public utility company mandated to provide reliable, affordable, and sustainable water and sewerage services to residents of Garissa town and its environs. In line with our long-term service delivery objectives, sustainability remains central to our strategic goals. Sustainability at GAWASCO means delivering services efficiently today while preserving resources, reducing environmental impact, and enhancing social value for future generations.

I. Sustainability strategy and profile

GAWASCO aligns its sustainability goals with global trends, including the impact of climate change, regional insecurity, urbanization, and resource scarcity. The company's strategy is informed by the UN Sustainable Development Goals (SDGs), especially SDG 6 (Clean Water and Sanitation), SDG 13 (Climate Action), and SDG 12 (Responsible Consumption and Production).

We have a sustainability policy framework that focuses on:

- Water resource efficiency
- Renewable energy integration
- Inclusive procurement
- Climate resilience

Key Achievements (2024/2025):

- Reduced water losses from 42% to 38% through pipeline rehabilitation.
- Transitioned 3 boreholes to solar power.
- Some procurement contracts were awarded to Youth, Women, and PWDs.
- Developed a service delivery charter that guarantees timely response and equitable service.

Challenges and Mitigation Measures:

- Climate-related flooding damaged intakes; mitigation included raising intake infrastructure and emergency response planning.
- Delays in local supplier payments were mitigated through improved revenue collection.

II. Environmental Performance

GAWASCO operates under a formal **Environmental Management Policy**, aligned with NEMA regulations and ISO 14001 principles.

Waste Management Initiatives:

- Quarterly clean-up campaigns along water lines and intakes.
- Partnership with the county for e-waste collection.

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Climate Change Adaptation:

- Ongoing assessment for green building certification of future facilities.
- Rainwater harvesting tanks installed at three primary schools as part of community pilot projects.

III. Employee Welfare

GAWASCO's HR Policy incorporates diversity, equality, and inclusivity.

Staff Composition:

The majority of our staff are male due to the nature of our operations, but the company will put in place measures and policies to meet the gender ratio rule.

Policy Improvements:

- Updated hiring policy in 2024 to enhance representation.
- Quarterly engagement meetings with union and non-union staff.

Career Development:

- Some staff received support for work and water-related courses.
- Introduced a mentorship and skills transfer program.

Occupational Health and Safety:

- Compliance with OSHA 2007 reviewed and certified in March 2025.
- Zero fatal injuries.
- Safety training conducted for all field officers and drivers.

IV. MARKETPLACE PRACTICES

a) **Responsible Competition:** GAWASCO adheres to open tendering under the Public Procurement and Asset Disposal Act. All tenders are publicly advertised, and integrity pacts are signed. Service charters and anti-corruption desks are operational at customer service points.

b) **Responsible Supply Chain:**

- Suppliers were paid promptly despite the company facing financial constraints.
- Supplier engagement forums are held biannually.
- Preference given to local contractors.

c) **Responsible Marketing & Public Engagement:**

- No misleading or exaggerated service claims.

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- Regular updates via website and SMS platforms.
- Quarterly community forums are conducted in various zones.

d) Product Stewardship:

- Customers receive SMS alerts for service interruptions.
- Consumer complaints resolution rate stands at 85% within 7 days.
- Data protection policy implemented, aligned with the Data Protection Act.

V. CORPORATE SOCIAL RESPONSIBILITY (CSR) & COMMUNITY ENGAGEMENT

GAWASCO prioritizes CSR activities aligned with its core mandate.

Public Participation:

- Sensitization forums held with residents.
- Consultations conducted for pipeline extensions into some Bullas.

Impact: CSR efforts have improved access to clean water, enhanced environmental conservation, and strengthened the public's trust in GAWASCO's role.

Conclusion:

GAWASCO remains committed to embedding sustainability into its core functions through strategic investments, inclusive practices, and responsible governance. Through stakeholder collaboration, innovation, and community focus, we aim to build a resilient water utility that secures the well-being of both current and future generations.

Garissa Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

11. Report Of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of the company's affairs.

i) Principal activities

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

ii) Results

The results of the company for the year ended June 30, 2025, are set out on pages 1 - 2

iii) Directors

The members of the Board of Directors who served during the year are shown on page v. in accordance with Regulation of the company's Articles of Association.

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iv) Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act to carry out the audit of the Company for the year/period ended June 30, 2025, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



.....
Name: Mohamed Mohamud Dolal
Secretary to the Board
Date:

12. Statement of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012, and Companies Act 2015 require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the 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 the Company'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 (period) ended on June 30, 2025. 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 the entity.
- (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 the Company.
- (v) selecting and applying appropriate accounting policies.
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors' responsibility for the Company'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, 2012, Water Act 2016 and Companies Act 2015.

Garissa Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

Statement Of Directors' Responsibilities (Continued)

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of the Company's transactions during the financial year ended June 30, 2025, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for 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 the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The company financial statements were approved by the Board on 2nd Oct 2025 and signed on its behalf by:



.....
Mohamed D Werah.

Chairperson of the Board



.....
Mohamed M 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, 2025

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; and,
- 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.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on 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

Qualified Opinion

I have audited the accompanying financial statements of Garissa Water and Sewerage Company Limited set out on pages 1 to 53, which comprise of the statement of financial position as at 30 June, 2025 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Garissa Water and Sewerage Company Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water (Amendment) Act, 2024 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Long Outstanding Trade and Other Receivables Balance

The statement of financial position reflects the trade and other receivables balance of Kshs.1,047,311,085 as disclosed in Note 16 to the financial statements. Included in the balance were receivables balance of Kshs.802,812,825 or 76.65% which was outstanding for more than one hundred and twenty (120) days.

In the circumstances, the recoverability of trade and other receivables balance of Kshs.802,812,825 could not be confirmed.

2. Unconfirmed Bank Overdraft Balance

The statement of financial position reflects bank overdraft balance of Kshs.18,379,123 as disclosed in Note 22 to the financial statements. Discussions with Management and review of the settlement agreement between a local commercial bank and the Company dated 11 July, 2023 revealed a bank overdraft of Kshs.25,000,000 with agreed profit/interest of Kshs.3,241,095, totalling to Kshs.28,241,095 payable within twelve (12) months. However, Management did not provide details of the purpose for which the loan was sought, as well as the authorization of the loan by the Board. This is contrary to Regulation 119(4) of the Public Finance Management (County Governments) Regulations, 2015 which states that an accounting officer for a County Government entity shall not cause a bank account of the entity to be overdrawn beyond the limit authorized by the County Treasury or a Board of a County Government entity, if any. Further, the loan was not disclosed in the previous year's financial statement as a liability.

In the circumstances, the accuracy, completeness and validity of bank overdraft balance of Kshs.18,379,123 could not be confirmed.

3. Unsupported Capital Fund Balance

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

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

4.0 Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.389,853,226 as disclosed in Note 27 to the financial statements. Review of records on trade and other payables revealed the following:

4.1 Inaccurate Trade and Other Payables Balance

Included in trade and other payables balance is Kshs.38,825,759 payable to Kenya Power and Lighting Company (KPLC). However, records at KPLC indicates a balance of Kshs.35,082,034, resulting in an unexplained variance of Kshs.3,743,725. Further, the balance includes Kshs.12,008,574 payable to Northern Water Works Development Agency (NWWDA). However, records at Northern Water Works Development Agency indicates a balance of Kshs.10,327,680, resulting in an unexplained variance of Kshs.1,680,894.

4.2 Outstanding Audit Fees

Included in this balance is an amount of Kshs.4,677,120 in respect of audit fees which has been outstanding for more than one (1) one year. Management did not provide a satisfactory explanation of failure to settle the outstanding fees.

4.3 Non-Remittance of Staff Deduction

Included in the payable balance is Kshs.91,571,136 in respect of Social Health Insurance Fund deductions, Pay As You Earn (PAYE) and Pension Deduction. However, the Management did not remit the deductions as required by law to the beneficiary organizations contrary to Section 19(4) of Employment Act, Cap 226, which provides that an employer who deducts an amount from an employee's remuneration in accordance with subsection (1)(a), (f), (g) and (h) of the Act shall pay the amount so deducted in accordance with the time, period and other requirements specified in the law.

4.4 Long Outstanding Trade and Other Payables Balance

Included in the payables balance is Kshs.194,926,613 that was outstanding for over one (1) year. This is contrary to the provisions of National Treasury Circular No.10/2020, dated 16 June, 2020, which requires prompt clearance of pending bills and stipulates that payment of such liabilities should be treated as a first charge in the subsequent year's approved budget.

In the circumstances, the accuracy, completeness and regularity of the trade and other payables balance of Kshs.389,853,226 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis of Kshs.520,359,330 and Kshs.415,304,987 respectively, resulting in under-funding and under collection of Kshs.105,054,343 or 20% of the budget. Similarly, the Company spent Kshs.569,616,209 against actual receipts of Kshs.415,304,987, resulting in over spending of Kshs.154,311,222 or 37% of the receipts. The Management did not provide explanation for the overspending and the source of this over expenditure.

The under-funding affected the planned activities and may have impacted negatively on service delivery to the public.

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 effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Information

The Directors are responsible for the Other Information set out on page iii to xxx which comprise of Key Entity Information, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, the 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 and the matters

described in my Basis for Qualified Opinion, I confirm that Other Information is not materially inconsistent with the financial statements.

Inaccurate Statement of Management Discussion and Analysis

The statement of management discussion and analysis indicates that the Company incurred expenses amounting to Kshs.898 million while the statement of profit or loss and other comprehensive income reflects expenses amounting to Kshs.569 million resulting in an unreconciled variance of Kshs.329 million.

The statement further indicates revenue composition of water sales of 60%, sewerage services of 20%, grants of 15% and miscellaneous income of 5%. However, Note 6 to the financial statements reflect water sales of Kshs.305,375,583 or 73.50% of the total revenue of Kshs.415,304,987, Nil sewerage services revenue or 0% of the total revenue. Further, Note 7 to the financial statements reflects other income of Kshs.107978154 or 26% of the total revenue.

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, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Climate Change and Financing

Review of the budget revealed that the Company did not make budgetary allocations or financing provisions for climate change initiatives. This indicates non-prioritization of climate change actions, contrary to the requirements of the Climate Change Act, 2016 and the National Development Agenda on climate resilience.

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

2. Operating Without Valid Water Services Regulatory Board (WASREB) License and Tariff

During the year under review, the Company operated without a valid license from Water Services Regulatory Board (WASREB). This is contrary to Section 72(c) of the Water

Act, 2016 which gives Water Services Regulatory Board (WASREB) the mandate of setting license conditions and accrediting Water Service Providers (WSPs).

Further, the Company was using expired water tariffs which were approved on 14 May, 2010 and were expected to have been reviewed in June, 2012 for further adjustment as per Gazette Notice No.5321, Vol. CXII - No.49, page 1724. In addition, the Company billed its unmetered customers based on a flat rate of Kshs.3,000 per customer which were not approved by (WASREB).

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

3. Failure to Comply with Fiscal Responsibility Principles

Statement of profit or loss and other comprehensive income reflects staff cost expenditure of Kshs.112,109,742 or 47% of total operational and maintenance cost of Kshs.240,611,291 of the Water Company during the year under review. The percentage is above the maximum threshold of 22% of provisions of latest WASREB Guidelines, 2018 on maximum thresholds for level 4 or large water companies under which the Garissa Water and Sewerage Company Limited is categorized.

The excessive percentage of 25% translates to a personnel cost of Kshs.60,152,823 which should have been diverted to operational and maintenance cost resulting in enhanced service delivery and improved water sales revenue.

In the circumstance, the Water Company was in breach of WASREB commercial viability criteria in respect of personnel cost as percentage of operational and maintenance cost.

4. Non-Compliance to Requirement of Access to Government Procurement Opportunities

During the year under review, the Company procured goods, works and services worth Kshs.70,496,500. However, the procurement plan did not indicate budget allocations specifically targeted for women, youth and persons with disabilities (PWDs), making it impossible to confirm whether the Company complied with Regulation 149 of the Public Procurement and Asset Disposal Regulations, 2020 which requires procuring entities to allocate at least 30% of their procurement opportunities to these special interest groups under the Access to Government Procurement Opportunities (AGPO) initiative. Additionally, the procurement plan was not prepared in accordance with the First Schedule of the Regulations, which outlines the required format and essential details such as target groups, estimated costs and procurement methods. These omissions raise concerns of non-compliance with legal requirements, potentially denying opportunities to disadvantaged groups.

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

5. Irregular Variation of Contract Price – Rehabilitation and Construction of Boreholes Group 3

Review of the contract No. GAWASCO-54765-CW-RFB signed on 13 July, 2020 for rehabilitation and construction of boreholes group 3 revealed that the original contract price of the contract was Kshs.151,679,740 (inclusive of taxes). During the year under review, the Water Company made payment of Kshs.75,177,458 to the contractor (inclusive of taxes). As at the time of the audit in September, 2025 the Company had made cumulative payment to the contractor amounting to Kshs.182,594,131, resulting in overpayment of Kshs.58,904,528 or 39% which is above 25% of the contract sum. However, the Management did not provide documentary evidence to support separate tendering for the increase in variation of the contract contrary to Section 139(6) of the Public Procurement and Asset Disposal Act, 2015.

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

6. High Non-Revenue Water

Records provided for audit revealed that the quantity of water produced during the year was 4,927,213 cubic meters while the quantity of water billed to customers was 3,041,527 cubic meters, representing a gross sale of water valued at Kshs.307,326,832 as reported in the statement of profit or loss and other comprehensive income. The difference of water quantity amounting to 1,885,686 cubic meters, which translates, to approximately 38% of water produced was neither billed nor accounted for. This is above the maximum Non-Revenue Water rate of 25% set by Water Service Regulatory Board guidelines.

In the circumstances, Management was in breach of Water Service Regulatory Board guidelines.

7. Failure to Dispose Grounded Assets

Inspection of the assets owned by the Company revealed that two (2) unserviceable motor vehicles and eleven (11) motor cycles had been grounded and were therefore not in use but had not been disposed off. This is contrary to Section 163(1) of the Public Procurement and Asset Disposal Act, 2015 which requires an Accounting Officer to establish a disposal committee as and when prescribed for the disposal of unserviceable, obsolete and obsolescent or surplus store, equipment or assets.

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

8. Failure to Prepare Quarterly Financial Reports

Management did not prepare quarterly reports for the year under review. This is contrary to the requirements of Section 166 of the Public Finance Management Act, 2012 which requires the accounting officer to prepare quarterly report for a County Government entity containing information on the financial and non-financial performance of the entity and in a form determined by the Accounting Standards Board as the same were not produced

for audit review neither was evidence of submission of copies of the quarterly reports to the County Executive Committee member responsible for Water provided for audit review.

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

9. Irregular Engagement, Recruitment and Payment to Casuals

Examination of the Company's payroll revealed that the Company engaged casual employees between July, 2024 and June, 2025 continuously for more than three (3) months. This is contrary to paragraph B.16 of the County Human Resource Manual, 2013 Part B which provides that casual worker shall be engaged only on urgent short-term tasks with the approval of the County Public Service Board. Casual workers shall not be engaged for more than three (3) months, as stipulated in the Employment Act, 2007. Further, details of how the casuals were identified, recruited and on-boarded were not provided for audit review. Further, the Company did not have annual recruitment plans. There was no staff rationalization report indicating any vacancies or shortages in any department to justify the need to hire casual staff.

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

The audit was conducted in accordance with ISSAI 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, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Disaster Recovery Plan

The Management did not have a disaster recovery plan in case of any occurrences leading to losses and operational setbacks.

In the circumstances, the effectiveness of the risk management mechanisms of the Company could not be confirmed.

2. Failure to Hold Annual General Meetings

Management did not provide evidence confirming that Annual General Meetings were held and annual returns were submitted since the Company was incorporated on 6 July, 2004. This is contrary to the requirement of Section 275(A)(1) of the Companies Act, 2015, which provides that every Company should convene a general meeting once a year.

In the circumstances, it was not possible to confirm the effectiveness of governance systems in the Company.

3. Failure to Carry Out Evaluation of the Board's Performance

The Board did not carry out the evaluation exercise contrary to Section 3.8(2) of Water Service Regulatory Board Guidelines for Water Service Sector, 2018 which requires that the Board shall evaluate its performance once every year and set up achievable action points to assess its performance as a whole and that of individual members including the Managing Director.

In the circumstances, it was not possible to confirm the effectiveness of governance systems in the Company.

4. Lack of Functioning Internal Audit Unit

Review of the internal audit function revealed that the Internal Audit Department was understaffed and not adequately facilitated as there was no clear budget line including staffing and training. It is therefore doubtful whether it has the capacity to accomplish its internal audit responsibilities.

In the circumstances, the existence of an effective mechanism to ensure proper internal control system could not be confirmed.

5. Weaknesses in Revenue Management

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statement reflects income from operations of Kshs.307,326,833 in respect of water sales. However, the following observations were also made in respect of revenue management:

- i) The total number of customers recorded in the revenue system as at 30 June, 2025 were twenty-one thousand and thirteen (21,013). However, out of this number, only seven thousand, seven hundred and eighty-six (7,786) or 37% of the customers were metered. The Company could not maximize collection due to fewer metered customers.

- ii) There were no master meters installed to record water at production and the Company could only estimate the amount of water produced during the financial year using pumping hours resulting to a possibility of inaccurate data.
- iii) The Company reported revenue from water sales of Kshs.307,326,832 during the year under review. However, records availed for audit revealed that only Kshs.200,862,985 or 65% was the actual collection for the period under review, leaving Kshs.106,463,847 uncollected. The Management is therefore unable to significantly collect water bills revenue.

In the circumstances, it was not possible to confirm the effectiveness of internal controls on revenue administration and collection at the Company.

6. Weaknesses in Accounting for Cash and Cash Equivalent

The Company used Microsoft Excel office software in recording and maintaining the cashbook, which is vulnerable to fraud and susceptible to human errors. In addition, the cash books were not reviewed, approved and signed by the accountant and the Finance Manager at the end of each month. In addition, there was no backup strategy in case of loss of data.

In the circumstances, the security of the data maintained in the excel Microsoft regarding cash and cash equivalents could be in jeopardy.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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 xxvii to xxviii is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page 23 has been properly prepared in accordance with the Companies Act, 2015.

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

Auditor-General's Responsibilities for the Audit

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 of 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 ISSAIs 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

6 November, 2025

APPENDICES

Appendix I: Unresolved Prior Year Matters

No.	Financial Year	Audit Issue
1.	2023/2024	Unsupported Income from County Government
2.	2023/2024	Failure to Bill all Customers
3.	2023/2024	Unsupported Trade Receivables
4.	2023/2024	Undisclosed Meter Deposits
5.	2023/2024	Unsupported Cash and Cash Equivalents Balance
6.	2023/2024	Overdrawn (Negative) Cash Book Balance
7.	2023/2024	Unsupported Capital Fund
8.	2023/2024	Failure to Update Fixed Asset Register
9.	2023/2024	Irregular Variation of Contract Price – Consultancy Services
10.	2023/2024	Budget and Budgetary Control
11.	2023/2024	Stalled Projects
12.	2023/2024	Employees Earning Less Than a Third of Their Basic Pay
13.	2023/2024	Irregular Engagement of Casual Employees
14.	2023/2024	Imprest Management
15.	2023/2024	Long Outstanding Trade Payables
16.	2023/2024	High Non-Revenue Water
17.	2023/2024	Personnel Expenditure as a Percentage of Operating and Maintenance Cost
18.	2023/2024	Maintenance of Dormant Bank Accounts
19.	2023/2024	Effectiveness of internal Audit Unit and Audit Committee