REPUBLIC OF KENYA





REPORT

OF

THE AUDITOR-GENERAL

ON

GARISSA WATER AND SEWERAGE COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2025

OFFICE OF THE AUDITOR GENERAL
NORTH EASTERN REGIONAL OFFICE
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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

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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.

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	1st February 2022
2. Ms Naima Abdinasir Salat	Vice Chair	1st February 2022
3. Mr. Osman Mohamed Barkatle	Member	1st February 2022
4. Ms. Jane Akoth Okalo	Member	1st February 2022
5. Mr. Ismail Daud	Member	1st February 2022

Company Secretary

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

Corporate Headquarters

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

Corporate Contacts

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

Corporate Bankers

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

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

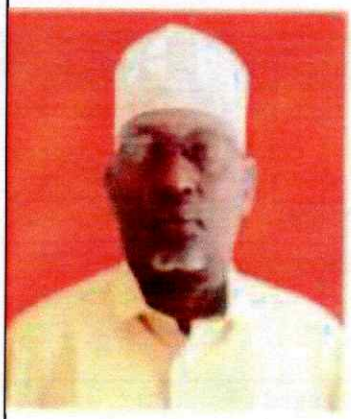
Kenya Commercial Bank
Garissa Branch
P.O. Box 143-70100

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

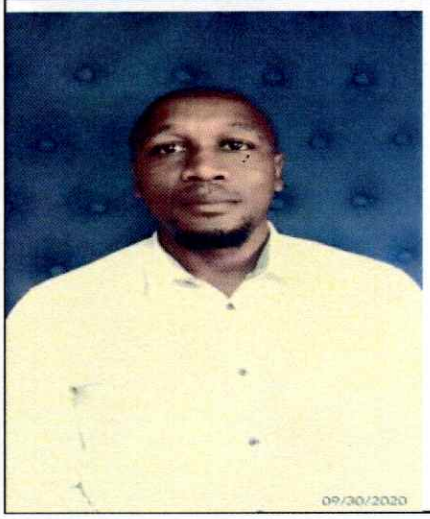
Principal Legal Adviser
The Attorney General
State Law Office, Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

3. The Board of Directors

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

	**Mr. Ismail Daud, aged 65** **Represents:** Farmers **Status:** Member of the Board Has a Diploma in organic farming.
	**Mr. Mohamed Mohamud Dolal, aged 47** **Qualifications:** MBA (Public Administration & Management) **Experience:** worked in various positions within GAWASCO. Recently, he was the Former Corporate Manager of GAWASCO before being appointed as the Managing Director. **Status:** Managing Director and secretary to the Board

4. Key Management Team

Managers	Details
	MOHAMED MOHAMUD DOLAL **Managing Director (M.D).** MBA (Public Administration & Management) 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.
	CHRISTOPHER WAHOME KAMAU **Technical Services Manager.** BSC Water and Environment

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

5. Chairman's Statement

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.

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

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.

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	• Coverage of the Service Area	• 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.	• Water coverage is currently at 65% • Sewer coverage is currently at 37% • Water production volume is currently at 13,146m3 /day.

Pillar 2:	Improve financial and operational sustainability	• Adoption of an ERP System.	• ERP system has integrated functions such as billing, customer service, human resources, inventory, and finance into one centralised platform.	• 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	• Metering ratio • Water Affordability • Unaccounted for Water • Hours of Supply	• Increase customer satisfaction level from 90% in 2024 to 95% by 2025. • Achieve WHO and KEBs water and wastewater standards.	• The Company is in the process of acquiring a new tariff that is pro-poor and customer-friendly.

			• Increases hours of supply from 22 hours' year 2024 to 23-hour years in 2025 • Develop and implement consumer engagement strategies.	• By sinking 4 extra boreholes to increase production. • Digitize the customer complain system.
Pillar 4:	Strengthen organizational structures and operational processes		• 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.	• 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		• Embark on continuous training of staff and development plan. • Establish a performance management plan.	• We rolled out the performance management system. • Developed the communication policy. • The company has also sponsored

			• Develop and implement a communication policy. • Foster innovation. • Attract and retain talent. • Increase employee satisfaction level.	employees for trainings.

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.

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 millión 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

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.

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.

- 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.

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.

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.

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.	**Mohamed M Dolal.**
Chairperson of the Board	**Managing Director**

REPUBLIC OF KENYA

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HEADQUARTERS
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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

14. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2025.

	Note	2024-2025 Kshs	2023-2024 Kshs
INCOME			
Operating revenue	6	307,326,833	304,746,356
Other income	7	107,978,154	464,759,508
TOTAL		**415,304,987**	**769,505,864**
EXPENDITURE			
Staff Costs	8	112,109,742	91,492,731
General and Operations Expenses	9	215,809,405	172,171,537
Board Expenses	10	1,330,000	1,320,000
Maintenance Expenses	11	24,801,886	27,027,329
Depreciation Expenses	12	3,909,427	31,739,903
Finance Cost	13	-	604,466
Project Costs	14	211,655,748	287,258,108
TOTAL		**569,616,209**	**611,614,074**
Profit before Taxation		(154,311,222)	157,891,790
Income Tax Expense		-	-
Profit After Taxation		**(154,311,222)**	**157,891,790**

15. Statement Of Financial Position As at 30 June 2025

	Note	2024-2025 Kshs	2023-2024 Kshs
ASSETS			
Non-Current Assets			
Property and Equipment	15	184,540,013	180,764,600
Total non-current assets		**184,540,013**	**180,764,600**
Current Assets			
Trade and Other Receivables	16	1,047,311,085	991,279,622
Cash and Cash Equivalents	18	27,362,624	123,887,260
Total Current Assets		**1,074,673,709**	**1,115,166,883**
Total Assets		**1,259,213,722**	**1,295,931,483**
EQUITY AND LIABILITIES			
Share capital	19	100,000	100,000
Capital fund	20	31,758,485	31,758,485
Retained Earnings	21	819,122,888	991,813,233
		850,981,373	**1,023,671,718**
Current Liabilities			
Trade and Other payables	27	389,853,226	272,259,765
Bank overdraft	22	18,379,123	
Total current liabilities		**408,232,349**	**272,259,765**
Total Equity and liabilities		**1,259,213,722**	**1,295,931,483**

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

.....	.....	.....
Mohamed M Dolal	**Mohamed Abdullahi**	**Mohamed D Werah**
Managing Director	**Head of Finance**	**Chairman of the Board**
	ICPAK M/No.32580	

16. Statement of Changes in Equity for the Year Ended 30 June 2025

	Share capital	Retained Earnings	Capital Fund	Total
	Kshs	Kshs	Kshs	Kshs
1st July 2023				
As stated	100,000	833,921,443	31,758,485	865,779,928
Prior year adjustments	-	-	-	-
	-	157,891,790	-	157,891,790
At 30th June 2024	**100,000**	**991,813,233**	**31,758,485**	**1,023,671,718**
Prior year adjustments		-		
1st July 2024				
As stated	100,000	991,813,233	31,758,485	1,023,671,718
Prior year adjustments	-	(18,379,123)	-	(18,379,123)
Adjusted Net Surplus for the year	-	(154,311,222)	-	(154,311,222)
At 30th June 2025	**100,000**	**819,122,888**	**31,758,485**	**850,981,373**

17. Statement Of Cash Flows for The Year Ended 30 June 2025

	Kshs 2024-2025	Kshs 2023-2024
Cash flow from operating activities		
Net Income	(154,311,222)	157,891,790
Add: Prior year adjustments	-	-
Add: Interest Expense	-	-
Operating Profits	(154,311,222)	157,891,790
Add: Depreciation	3,909,427	31,739,903
Increase in Inventory	-	-
Increase in trade receivables	(56,031,462)	(122,554,454)
Increase in trade payables	117,593,461	47,638,767
Cash flow from operations	**(88,839,796)**	**114,716,007**
Dividends paid	-	-
Interest paid	-	-
Tax paid	-	-
Net cash generated from operating activities	**(88,839,796)**	**114,716,007**
Cash flows from Investing activities		
Payments to purchase equipment	(7,684,840)	(7,366,723)
Proceeds from the disposal of equipment	-	-
Net cash used in investing activities	**(7,684,840)**	**(7,366,723)**
Cash flows from financing activities		
Issues of share capital	-	-
Long-term borrowings repaid	-	-
Net cash used in financing activities	-	-

Net cash flow from the period	**(96,524,636)**	**107,349,284**
Cash and cash equivalents at the beginning of the period	123,887,261	16,537,977
Net increase/decrease in cash	(96,524,636)	107,349,284
cash and cash equivalents at the end of the period	**27,362,625**	**123,887,261**

18. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2025

	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	Percentage of utilization
	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025	
REVENUE	**Kshs.**	**Kshs.**	**Kshs.**	**Kshs.**	**Kshs.**	
Income from operations	360,000,000	-	360,000,000	305,375,583	54,624,417	15
Other income from operations	61,764,000	-	61,764,000	1,951,250	59,812,750	97
Other income	98,595,330	-	98,595,330	107,978,154	(9,382,824)	- 10
Total Income	**520,359,330**	**-**	**520,359,330**	**415,304,987**	**105,054,343**	20
					-	
EXPENDITURE					-	
Personnel Cost	100,928,554	-	100,928,554	112,109,742	(11,181,188)	(11)
Directors Emoluments	2,650,000	-	2,650,000	1,330,000	1,320,000	50
Administrative Expenses	200,953,080	-	200,953,080	215,809,405	(14,856,325)	(7)
Operating Expenditure	20,355,000	-	20,355,000	24,801,886	(4,446,886)	(22)
Finance Cost	-	-	-	-	-	-
Depreciation Expenses	27,450,062	-	27,450,062	3,909,427	23,540,635	-

Project Costs	155,022,634	-	155,022,634	211,655,748	(56,633,114)	(37)
Total Recurrent Expenditure	**507,359,330**	**-**	**507,359,330**	**569,616,209**	**(62,256,879)**	
Total Payments	**520,359,330**		**520,359,330**	**569,616,209**		
Capital expenditure	13,000,000	-	13,000,000	-	13,000,000	100
Surplus	**-**	**-**	**-**	**(154,311,222)**	**154,311,222**	

19. Notes To the Financial Statements

1. General Information

Garissa Water and Sewerage Company Ltd is established by and derives its authority and accountability from the Companies Act. The Company is wholly owned by the County Government and is domiciled in Kenya. The Company's principal activity is the supply of water and sewerage services. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

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

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

Notes to the financial statements (continued)

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

i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2025.

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. An earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. An earlier application is permitted.
Amendments to the Classification and Measurement of Financial Instruments: Amendments to IFRS 9 and IFRS 7	The amendments specify: i. When a financial liability is settled using an electronic payment system, it can be deemed to be discharged before the settlement date. ii. how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and iii. new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs.	1 January 2026

(The Directors have assessed the applicable standards and amendments. Based on their assessment of the impact of the application of the above, they do not expect that there will be a significant impact on

the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows….)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial Statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. An earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. An earlier application is permitted.

(The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of the application of the above, they do not expect that there will be a significant impact on the company's financial statements.

iii. Early adoption of standards

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

Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

i) **Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and the collectability of the related receivables is reasonably assured.

ii) **Grants from Government Entities** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that have been acquired using such funds.

iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.

iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.

v) **Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.

vi) **Other income** is recognized as it accrues.

Notes to the financial statements (continued)

Summary of Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

d) Depreciation and impairment of property, plant and equipment

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

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

Item	Years	Rates
Land and Buildings		2%
Furniture and Fittings		12.5%
Equipment and Facilities		12.5%
Motor vehicles		20%
Computers		33%
Pipeline extensions		10%
Boreholes		10%

Notes to the financial statements (continued)

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

e) Intangible assets

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

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

f) Amortization and impairment of intangible assets

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

g) Investment property

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

Notes to the financial statements (continued)

Summary of Accounting Policies

h) Right of Use Asset

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

i) Biological Assets

The entity recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will flow to the entity, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

j) Fixed interest investments (bonds)

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

Notes to the financial statements (continued)

k) Quoted investments

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

l) Unquoted investments

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

m) Inventories

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

n) Trade and other receivables

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

o) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the area where the Company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the profit or loss statement. Current income

Notes to the financial statements (continued)

tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

p) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future, and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Notes to the financial statements (continued)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities, and the deferred taxes relate to the same taxable entity and the same taxation authority.

q) Borrowing costs

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

r) Cash and cash equivalents

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

Restricted cash

Restricted cash refers to cash and cash equivalent balances that have usage constraints. An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the entity.

s) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue cost and

Notes to the financial statements (continued)

any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

t) Trade and other payables

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

u) Retirement benefit obligations

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

v) Provision for staff leave pay

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

w) Exchange rate differences

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

Notes to the financial statements (continued)

x) Budget information

The original budget for FY 2024-2025 was approved by the Board of Directors on 23rd April 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original

budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded no additional appropriations. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under these financial statements.

y) Service concession arrangements

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

Notes to the financial statements (continued)

z) Comparative figures

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

aa) 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, 2025.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Company.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.

Notes to the financial statements (continued)

- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the assets.

c) Provisions

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

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.

6. Operating Revenue

	2024-2025	2023-2024
	Kshs	Kshs
Water sales	305,375,583	302,242,020
Sewerage Services	-	-
Billing for other services*	1,951,250	2,504,336
Total	**307,326,833**	**304,746,356**

7. Other Income

	2024-2025	2023-2024
	Kshs	Kshs
County Government of Garissa-IN Kind contributions.	9,382,824	54,197,628
World Bank WSDP Project	98,595,330	417,119,657
Refund of Project Money - (WSDP & WSTF)	-	(6,557,777)
Total	**107,978,154**	**464,759,508**

8. Staff Costs

Description	2024-2025	2023-2024
	Kshs	Kshs
Salaries, Wages & Statutory deductions	102,726,918	91,111,391
Training and workshop	-	381,340
County Government In-Kind Contribution	9,382,824	-

Description	2024-2025	2023-2024
	Kshs	Kshs
Total	**112,109,742**	**91,492,731**

9. General and Operations Expenses

General and Operations Expenses	2024-2025	2023-2024
Chemicals	11,304,440	17,625,891
Electricity O&M	122,951,091	85,760,312
Electricity-Administration	373,953	439,854
Stationery and Printing	920,709	296,000
Staff Uniform	-	-
Postal /telephone/courier service.	444,890	821,601
Insurance (motor Vehicle& Bikes)	-	-
Rent & Rates	580,000	614,000
Bank charges	501,037	-
Security Services	-	-
Training and workshop	542,500	-
Promotion and Advertisement	364,400	417,500
Professional and Legal Services	4,051,696	11,406
Travelling and Accommodation	3,142,300	4,439,300
Audit fees	233,856	233,856
Staff Welfare and Utility	1,157,900	608,400
WASCA Sports	75,000	-
WASPA	100,000	162,000
Corporate Social Responsibility	-	-
Provision for bad and doubtful debts	54,882,084	48,732,451
National Land Commission Fees	-	-
NWWDA	-	-
Municipal Levy	-	-
WASREB	12,303,499	10,208,966
WARMA	1,880,050	1,800,000
Sub-Total	**215,809,405**	**172,171,537**

Notes to the financial statements (continued)

10. Board Expenses

Description	2024-2025	2023-2024
	KShs	KShs
Chairman Honoraria	960,000	960,000
Sitting allowances	370,000	360,000
Total Board Expenses	**1,330,000**	**1,320,000**

11. Maintenance Expenses

	2024-2025	2023-2024
Description	Kshs	Kshs
Operation and Maintenance	10,507,197	15,931,408
Transport operations and maintenance	1,397,918	2,830,177
Maintenance of Plant, Equipment & Structures	12,896,771	8,265,744
Total Maintenance Expenses	**24,801,886**	**27,027,329**

12. Depreciation and Amortization Expenses

Description		2024-2025	2023-2024
		Kshs	Kshs
Property, plant, and equipment		3,909,427	31,739,903
Total Depreciation and Amortization		**3,909,427**	**31,739,903**

13. Finance costs

	2024-2025	2023-2024
Description	Kshs	Kshs
Finance costs	-	604,466
Total	**-**	**604,466**

Notes to the financial statements (continued)

14. Project Costs

	2024-2025	2023-2024
Description	**Kshs**	**Kshs**
Domestic travel and subsistence	6,798,076	1,888,800
Foreign travel & subsistence	-	
printing & advertising	301,450	606,630
Hospitality supplies & services	744,947	414,150
Civil works	75,370,272	192,284,329
Office consumables	519,750	2,200,880
Consultancy	87,843,150	82,641,375
Procurement of vehicles	-	-
Procurement of Plastic tanks	-	-
Vehicle maintenance	7,702,834	1,156,551
Insurance costs	4,398,535	3,046,773
Bank charges	18,615	9,620
Office equipment	5,948,640	2,300,000
Office furniture	-	
Others	22,009,479	709,000
Sub-total	**211,655,748**	**287,258,108**

Notes to the financial statements (continued)

15. Property, Plant and Equipment

Cost or Valuation:	Buildings Kshs	Computers Kshs	Equipment Kshs	Furniture and Fittings Kshs	Motor Vehicles and Bikes Kshs	Pipeline Extensions Kshs	Boreholes Kshs	Total Kshs
At 01/07/2024	786,282	7,967,637	147,279,896	4,768,953	195,245,608	31,185,658	62,360,319	**449,594,353**
								-
Additions:	-	-	6,590,000	-	-	1,094,840		**7,684,840**
								-
Disposals	-	-	-	-	-	-		-
								-
Total as at 30/06/2025	**786,282**	**7,967,637**	**153,869,896**	**4,768,953**	**195,245,608**	**32,280,498**	**62,360,319**	**457,279,193**
Net Book Value:								
As at 30th June 2025	**641,638**	**1,654,405**	**59,911,120**	**1,719,074**	**65,704,312**	**12,168,105**	**38,965,946**	**180,764,600**
Additions	-	-	6,590,000	-	-	1,094,840	-	**7,684,840**
As at 30th June 2025, before depreciation	**641,638**	**1,654,405**	**66,501,120**	**1,719,074**	**65,704,312**	**13,262,945**	**38,965,946**	**188,449,440**

DEPRECIATION:	2%	33%	12.5%	12.5%	20%	10%	10%	
As of 01/07/2024	144,644	6,313,232	87,368,776	3,049,879	129,541,296	19,017,553	23,394,373	**242,312,924**
Charge for the Year	12,833	-	-	-	-	-	3,896,595	**3,909,427**
Total Depreciation	**157,477**	**6,313,232**	**87,368,776**	**3,049,879**	**129,541,296**	**19,017,553**	**27,290,968**	**272,739,180**
Net Book Value:								
As at 30th June 2024	**641,638**	**1,654,405**	**59,911,120**	**1,719,074**	**65,704,312**	**12,168,105**	**38,965,946**	**180,764,600**
As at 30th June 2025	**628,806**	**1,654,405**	**66,501,120**	**1,719,074**	**65,704,312**	**13,262,945**	**35,069,351**	**184,540,013**

** ***The Net Book Values of some of the PPE Items are less than the accumulated depreciation***

Notes to the financial statements (continued)

16. A Trade and Other Receivables

	2024-2025	2023-2024
	Kshs	Kshs
Trade Debtors	1,042,759,596	991,177,832
Share receivable	100,000	100,000
Imprest	4,451,489	-
Prepayment	-	1,790
Gross trade and other receivables	**1,047,311,085**	**991,279,622**

16.B Trade Receivables

	2024-2025	2023-2024
	Kshs	Kshs
Gross trade receivables	1,102,193,169	942,385,382
Provision for doubtful receivables	54,882,084	(48,732,621)
Net trade receivables	**1,047,311,085**	**991,177,832**
As of June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	45,034,957	42,807,231
Between 30 and 60 days	62,511,516	55,092,942
Between 61 and 90 days	60,364,577	57,378,547
Between 91 and 120 days	76,587,210	72,798,702
Over 120 days	802,812,825	763,100,410
Total	**1,047,311,085**	**991,177,832**

17. Prepayments

Description	2024-2025	2023-2024
	Kshs	Kshs
Electricity	-	1,790
Total	**-**	**1,790**

Notes to the financial statements (continued)

18. Cash and Cash Equivalents

	2024-2025	2023-2024
	Kshs	Kshs
Cash at bank	26,142,676	123,190,664
Cash in hand	-	-
Mobile money account	1,219,948	696,595
	27,362,624	**123,887,259**

Detailed analysis of the cash and cash equivalents

		2024-2025	2023-2024
Financial institution	**Account number**	**Kshs**	**Kshs**
a) Current account			
Revenue Accounts – FCB	2976982901	778,609	(21,078)
Development Account - KCB	1107767741	18,600,676	(4,511,413)
Reserve Account - Equity	058029748463	80,955	100,956
General Account - FCB	2976982903	4,121,220	(5,694,938)
Reserve Account -FCB	2976982902	-	-
Cash in Hand	-	-	-
Cash in M-Pesa	880600	1,219,948	696,595
Post Bank Account	0744130011397	165,720	78,271
Bulla Noor Project	01134376129101	-	2,039
Drought Emergency Project	1207726249	-	993
WSTF - GGEP Harajab Water Project	2976982927	-	13
WSTF - GGEP Libahlow Water Project	2976982928	-	405
WSTF - GGEP Shebta-aad Water Project	2976982926	-	76,252
WSTF - UBSUP Project	0580279341218	516,895	516,895
WSDP Account - Equity	0580279720179	1,878,601	132,636,470
WSTF CLSG Account - Equity	0580280412465	-	5,800
WSTF Hulugho Reverse Osmosis Project	2976982932	-	-
Grand total		**27,362,624**	**123,887,260**

Notes to the financial statements (continued)

19. Ordinary Share Capital

	2024-2025	2023-2024
	Kshs	Kshs
Authorized:		
5,000 ordinary shares of Kshs.20 par value each	**100,000**	**100,000**
Issued and not paid:		
5,000 ordinary shares of Kshs.20 par value each	**100,000**	**100,000**

20. Capital Fund

	2024-2025	2023-2024
	Kshs	Kshs
Fixed Assets	11,969,799	11,969,799
Inherited Debtors	21,351,302	21,351,302
Inherited Creditors	(1,562,616)	(1,562,616)
Total	**31,758,485,**	**31,758,485,**

21. Retained Earnings

	2024-2025	2023-2024
	Kshs	Kshs
Balance at the beginning of the year	991,813,234	833,921,444
Prior year adjustments	(18,379,123)	-
Total	**973,434,111**	833,921,444
Net surplus for the year	(154,311,222)	157,981,790
Balance at the end of the year	**819,122,889**	**991,813,234**

22. Bank Overdraft

	2024-2025	2023-2024
	Kshs	Kshs
Balance at the beginning of the year	18,379,123	-
Balance at the end of the year	**18,379,123**	**-**

Notes to the financial statements (continued)

23. Revaluation Reserve

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

24. Fair Value Adjustment Reserve

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

25. Retained Earnings

The retained earnings represent amounts available for distribution to Garissa Water and Sewerage Company's shareholders. Undistributed retained earnings are utilised to finance GAWASCO's business activities.

26. Retirement Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2024-2025	2023-2024
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	-	-	-	34,933,335	30,115,428
Non-current benefit obligation	-	-	-	-	-
Total	-	-	-	**34,933.335**	**30,115,428**

Notes to the financial statements (continued)

Retirement benefit Asset/ Liability

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

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. **The entity's obligation under** the scheme is limited to specific contributions legislated from time to time and is currently at 12%of

Notes to the financial statements (continued)

The employee**'s salary** (6% contributed by the employee and 6 % contributed by the employer) per employee per month. Other than NSSF, the entity also has a defined contribution scheme operated by British American Insurance Fund, and ITSL Trust Company Limited is the custodian of the Scheme. Employees contribute 7.5% while employers contribute 15% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

27. Trade and Other Payables

	2024-2025	2023-2024
	Kshs	Kshs
Trade payables	204,854,524	119,305,537
Employee payables	5,726,292	4,623,037
Other payables	179,272,410	148,331,191
Total	**389,853,226**	**272,259,765**

Aging Analysis for Trade and other Payables

	2024-2025	% of the total	2023-2024	% of the total
Under one year	194,926,613	50%	136,129,882	50%
1-2 years	93,564,774	24%	65,342,344	24%
2-3 years	42,883,855	11%	29,948,574	11%
Over 3 years	58,477,984	15%	40,838,965	15%
Total	**389,853,226**		**272,259,765**	

Other Disclosures
28. Related Party Disclosures

County Government of Garissa

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

Other related parties include:

- The County Department in charge of Water
- County Government of Garissa
- Water Works Agencies
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- Others (specify)

Transactions with related parties

	2024-2025	2023-2024
	Kshs	Kshs
a) Sales to related parties		
Rent Income from Govt. agencies	-	-
Water sales to Govt. agencies	-	-
Interest income from Govt Commercial Banks	-	-
Interest income from T-bills and Bonds	-	-
Others (Specify)	-	-
Total	-	-
b) Purchases from related parties		
Purchase of water from govt service providers	-	-

	2024-2025	2023-2024
	Kshs	Kshs
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to Govt. agencies	-	-
Bank charges paid to Govt Commercial banks	-	-
Interest expense to investments by other Govt. entities	-	-
Others (specify)	-	-
Total		
b) Grants from the Government		
Grants from National Govt Agencies WSDP	98,595,330	-
Grants from County Government	-	-
Donations in kind	9,382,824	-
Total	**107,978,154**	**-**
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for county government employees	-	-
Payments for goods and services for county government employees	-	-
Total	**-**	**-**
d) Key management compensation		
Directors' emoluments	-	-
Compensation to key management	-	-
Total	-	-

29. Financial Risk Management

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

(i) Credit risk

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

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

Notes to the financial statements (continued)

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

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2025				
Trade Receivables	1,042,759,596	-	-	-
Other Receivables	-,	-	-	-
Investments	-	-	-	-
Bank balances	27,362,624	-	-	-
Total	**1,070,122,220**	**-**	**-**	**-**
At 30 June 2024 (previous Year)				
Receivables	991,117,832	-	-	-
Other Receivables	-,	-	-	-
Investments	-	-	-	-
		-	-	-
Bank balances	123,721,860	-	-	-
Total	**1,114,839,692**	**-**	**-**	**-**

Credit Risk (Continued)

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

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

ii) Liquidity risk management

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

liquidity risk through continuous monitoring of forecasts and actual cash flows.

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025 (current year)				
Trade payables	-	-	204,854,524	204,854,524
Current portion of borrowings	-	-		
Provisions	-	-	4,677,120	4,677,120
Deferred income	-	-		
Employee benefit obligation	-	-	59,476,608	59,476,608
Total	**-**	**-**	**269,008,252**	**269,008,252**
At 30 June 2024 (previous year)				
Trade payables	-	-	119,305,537	119,305,537
Current portion of borrowings	-	-		
Provisions	-	-	4,443,264	4,443,264

Deferred income	-	-	-	-
Employee benefit obligation	-	-	50,673,694,	50,673,694,
Total	**-**	**-**	**174,422,495**	**174,422,495**

(iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rates, equity prices and foreign exchange rates, which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures

within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The company's Department in charge of risk management is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

a) Interest rate risk

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

i) Management of interest rate risk

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

ii) Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

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

i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

iv) Capital Risk Management

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

	2024-2025	2023-2024
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	819,122,888	991,419,374
Capital reserve	31,758,485	31,758,485
Total funds	**850,881,373**	**1,023,177,859**
Total borrowings	-	-
Less: cash and bank balances	27,362,624	123,887,259
Net debt/ (excess cash and cash equivalents)		
Gearing	**0%**	**0%**

30. Incorporation

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

31. Events After the Reporting Period

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

20. Appendices

Appendix 1: Progress on follow-up of auditor recommendations.
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1 Unsupport1.1 Unsupported Income from the County Governmented Income from County Government	Included in the other income of Kshs.464,759,508 is Kshs.54,197,628 in respect of other income from the County Government. However, the amount was not supported by any document to confirm the actual transfer from the County Government to the Company. In the circumstances, the accuracy and completeness of other income of Kshs. 54,197,628 could not be confirmed.	• The documents to support these transactions were under the custody of the county government. At the time of the audit, the same documents were being used for the audit at the county government and have now been presented to the auditors.	Resolved	
1.2 Failure to Bill all Customers	The statement of profit or loss and other comprehensive income reflects operating revenue of Kshs.304,746,356. However, review of the income records revealed that the number of customers served by the Company was 20,519, out of which only 12,615 or 61% were billed, leaving 7,904 metered customers not billed, resulting in a loss of revenue. In addition, the Company was using expired water tariffs approved on 14 May 2010, which were expected to have been reviewed in June 2012 for further adjustment as per Gazette Notice No.5321, Vol. CXII – No.49, page 1724.	• The 7,904 customers not billed were the dormant accounts for customers in the areas where they did not receive water for the period under review, hence there was no need to bill them. The dormant accounts were not receiving water due to the distribution lines being dilapidated. The company has repaired the clogged lines, and billing is ongoing. • A new tariff application has been submitted and is under	Resolved	

	In the circumstances, the accuracy and completeness of the operating revenue of Kshs. 304,746,356 could not be confirmed.	review by the regulator. Attached are the first review notes that we have responded to.		
2.0 Unsupported Trade Receivables	The statement of financial position reflects the trade and other receivables balance of Kshs. 991,279,622 as disclosed in Note 17 to the financial statements. However, Management did not maintain an updated receivables ledger to disclose the balance brought forward, the amount accrued during the year, payments received, and the balance carried forward. In addition, a breakdown indicating gross trade receivables was not provided during the audit. In the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs. 991,279,622 could not be confirmed.	• The updated receivables ledger was maintained in the ERP, but we had difficulties in accessing the database because the access rights were held by the developer. However, the previous ERP has been replaced with a robust one, enabling us to produce the required reports. • A soft copy of the ledger balances has been shared with the external auditors.	Resolved	
3.0 Undisclosed Meter Deposits	The statement of financial position reflects the trade and other payables balance of Kshs. 272,259,765, as disclosed in Note 23 to the financial statements. The Company utilizes the tariff structure outlined in Gazette Notice No. 5321 of 14 May 2010, which requires water deposits for the various connection types:	• Even though the tariff had provided for charging of deposits, we did not charge the customers, and therefore, we did not disclose payables in	Resolved	

	Domestic (Kshs. 2,500), Kiosk (Kshs.5,000), Commercial (Kshs. 25,000), and Industry (Kshs.50,000). As of 30 June 2024, the Company had a total of twenty thousand, five and nineteen (20,519) customer connections, with twelve thousand, six hundred and fifteen (12,615) of these metered. However, the statements of financial position did not disclose payables in respect of customer deposits. In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.272,259,765 could not be confirmed.	respect of customer deposits. This was to encourage new connections to boost revenue. Going forward, we will be charging meter deposits with effect from 1st July 2025.		
4.0 Cash and Cash Equivalents	The statement of financial position reflects a cash and cash equivalents balance of Kshs.123,887,260 as disclosed in Note 18 to the financial statements. However, the following unsatisfactory matters were noted:		Partly resolved	
4.1 Unsupported Cash and Cash Equivalents Balance	Included in the cash and cash equivalents balance of Kshs.123,887,260 is Kshs.5,694,938 for one (1) bank account that was not supported by cash books, bank statements, bank reconciliation statements or a Board of Survey report. In the circumstances, the accuracy, and completeness of cash and cash equivalents balance of Kshs.5,694,938 could not be confirmed.	• We have provided the updated cash book and the bank reconciliation to the auditors.	Resolved	

4.2 Overdrawn (Negative) Cash Book Balance	Included in the cash and cash equivalents are balances for three (3) accounts with negative balances of Kshs.21,078, Kshs.4,511,413 and Kshs.5,694,938, all totaling to Kshs.10,227,429. Offsetting of cash and cash equivalents by a credit balance is contrary to paragraph 48 of the International Public Sector Standards (IPSAS) 1 on presentation of financial statements, which requires that assets and liabilities, and revenue and expenses, shall not be offset unless required or permitted by an IPSAS. In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs. 123,887,260 could not be confirmed.	• The overdraft was done by the previous administration. We have noted this anomaly with great concern, and we are convinced that it was purely a great administrative failure by the government of the day.	Resolved	
5.0 Unsupported Capital Fund	The statement of financial position reflects a capital fund of Kshs. 31,758,485 as disclosed in Note 20 to the financial statements. However, the balance includes fixed assets of Kshs.11,969,799, inherited debtors of Kshs.21,351,302 and inherited creditors of Kshs. (1,562,616) which were not supported. In the circumstances, the accuracy and completeness of the capital fund balance of Kshs. 31,758,485 could not be confirmed.	• The capital fund relates to the inherited debtors, creditors and fixed assets from the Northern Water Works Authority. There were no records provided, nor was there a proper hand-over to support the above amounts. During the board meeting held on 18th December 2024, the	Resolved	

		members resolved to write off the balances.		
6.0 Failure to Update Fixed Asset Register	The statement of financial position reflects a property, plant, and equipment (PPE) net book value of Kshs. 180,764,600, as disclosed in Note 16 to the financial statements. Included in the balance is a net book value of Kshs.65,704,312, Kshs. 12,168,105 and Kshs. 38,965,946 in respect of motor vehicles, pipeline extensions and boreholes, respectively. However, the asset register reflected a nil net book value for motor vehicles and pipeline extensions and Kshs. 17,759,241 for boreholes, resulting in an unexplained variance of Kshs. 99,079,122. Further, the asset register did not disclose the number of motor vehicles owned, location, their registration numbers, make, model and values. In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs. 180,764,600 could not be confirmed.	• The assets were taken over from the Northern Water Works Authority, and there was no proper handover of an updated asset register and are in the process of updating it in the prescribed format using the new ERP system.	Resolved	
7.0 Irregular Variation of Contract Price – Consultancy Services	Audit review of Contract No. KE-GAWASCO-67422-CS-QCBS for consultancy services, signed on 15 February 2021, revealed that the original contract price was Kshs. 132,988,162 (inclusive of taxes), with a stipulated duration of thirty (30) months from 8 March 2021 to 8 September 2023. However, the contract period was extended by a cumulative 22.8 months,	• This was purely a world bank project and the variation was approved by the world bank as per the Bank's procurement procedures and regulations.	Resolved	

	comprising a 10.8-month extension for works completion (from 9 September 2023 to 31 July 2024) and an additional 12 months for the Defects Liability Period (DLP) (from 1 August 2024 to 31 July 2025). This extension led to a price variation of Kshs.121,271,042, bringing the total contract value to Kshs.254,259,204 or 91% of the original contract price. This was contrary to Section 139(4) of the Public Procurement and Asset Disposal Act, 2015 which provides that any variation of a contract shall only be considered after twelve (12) months from the date of signing the contract and shall only be considered if the following are satisfied (e) the cumulative value of all contract variations does not result in an increment of the total contract price by more than twenty-five per cent (25%) of the original contract price. In the circumstances, irregular variation of the contract may have resulted in a loss of Kshs. 88,024,002.			
Budget and Budgetary Control	The statement of comparison of budgets and actual amounts reflects the final receipts budget and actual on a comparable basis of Kshs. 395,155,484 and Kshs.769,505,864, respectively, resulting in an over-funding of Kshs.374,350,380 or 95% of the budget. Similarly, the Fund spent Kshs. 612,007,933 against actual receipts of Kshs.769,505,864 resulting in an under-utilization of Kshs. 157,497,931 or 20%.	• The over-funding amount of Kshs. 374,350, 380.00 was a result of funding from the World Bank Project of Kshs. 417,119,657.00 and the County Government of Kshs. 54,197,628.00, which had not been budgeted for due to the	Resolved	

		uncertain nature of the funds, as they are disbursed in amounts that vary depending on the approvals between the Water Service Provider, the World Bank and the County Government.		
1.0 Stalled Projects	The statement of financial position reflects a property, plant and equipment (PPE) net book value of Kshs.180,764,600 as disclosed in Note 16 to the financial statements. However, a review of the project's implementation status report as of 30 June 2024 revealed that five (5) projects with a total contract sum of Kshs.711,901,775 had stalled. However, the Management did not provide a satisfactory reason for the stalling of these projects. In the circumstances, the stalled projects affected the delivery of service to the public and could also lead to increased project costs, time overruns and a negative impact on the overall efficiency of resource utilization.	• This relates to delayed projects. The delay was due to delayed project funds disbursements. However, the funds have now been disbursed, and the projects are now ongoing.	Resolved	
2.0 Unresolved Prior Year Matters	In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved the issues or given any explanation for the failure to	• The management and Board of Directors have implemented the Audit report's	Resolved	

	adhere to the provisions of the Public Sector Accounting Standards Board template.	recommendations in the subsequent financial year.		
Inadequate Disclosure in Corporate Governance Reporting	A review of the corporate governance report in the financial statements revealed significant gaps in compliance with the prescribed reporting template. The section did not adequately address key aspects such as the process for the appointment and removal of directors, the roles and functions of the Board, and the existence or implementation of a Board charter. In addition, there was no disclosure of the number of Board meetings held, the attendance of members at these meetings, or any evidence of a succession plan for Board members or senior management. The report also lacked information on induction and training programs for Board members, performance evaluations of the Board and its members and measures for identifying and managing conflicts of interest. Further, there was no disclosure on Board remuneration, policies on ethics and conduct, or the conduct of an independent governance audit to assess Board effectiveness. The absence of this critical information indicates that the corporate governance section did not conform to the requirements outlined in the reporting template, thereby undermining the transparency,	• This was an oversight and the management and the Board of Directors are addressing the observations progressively. We have developed the board chatter and the relevant disclosures will be included in the 2024-2025 financial year.	Resolved	

	accountability and comprehensiveness of the report. My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.			
1.0 Employees Earning Less Than a Third of Their Basic Pay	A review of the staff payroll for June 2024 revealed that thirty-seven (37) employees were receiving net salaries that were less than one-third of their respective basic salaries. This was contrary to the requirement of Section 19(3) of the Employment Act, 2007 which stipulates that without prejudice to any right of recovery of any debt due and notwithstanding the provisions of any other written law, the total amount of all deductions made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages. In the circumstances, Management was in breach of the law.	• The company was using a manual payroll system during the financial year under review, hence challenges in tracking the balances . the company has procured a robust ERP system but that will aid in the calculation of the limit as prescribed in section 193(3) of the Employment Act, 2007. • For those earning less than a third of the basic pay, we are negotiating with the lenders to increase the repayment period.	Resolved	
2.0 Irregular Engagement of Casual Employees	A review of employee records revealed that sixty-nine (69) casual employees were engaged continuously for more than three (3) months, contrary to the requirement of Section 37(1)(a) and (b) of the Employment Act, 2007 which	• The retention of casuals was necessitated by the need for a consistent water supply to the	Resolved	

	provides that, where a casual employee works for a period or several continuous working days which amount in the aggregate to the equivalent of not less than one (1) month or performs work which cannot reasonably be expected to be completed within a period or several working days amounting in the aggregate to the equivalent of three (3) months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly. In the circumstances, Management was in breach of the law.	town, since water is an essential service. • The company faced financial difficulties and could not confirm their terms to permanent terms. The casuals were engaged to carry out repair works. Currently, the company is not engaging them continuously.		
3.0 Imprest Management	The statement of profit or loss and other comprehensive income reflects administrative expenses balance of Kshs.56,542,511 and as disclosed in Note 10 to the financial statements. Included in the amount was Kshs.4,439,300 in respect of travelling and accommodation. It was, however, noted that staff were issued with cash through signed petty cash forms instead of standard imprest warrant (GP26) contrary to Regulation 91(2) of Public Finance Management (County Government) Regulations, 2015, which requires that the officer authorized to hold and operate an imprest shall make formal application for the imprest through an imprest warrant. In the circumstances, Management was in breach of the law.	• We acknowledge the audit observations. The management had implemented the use of the standard imprest warranr(GP26) in accordance with regulation 91(2) of the Public Finance Management (County Government) Regulations, 2015.	Resolved	

4.0 Long Outstanding Trade Payables	The statement of financial position reflects the trade and other payables balance of Kshs. 272,259,765 as disclosed in Note 23 to the financial statements. Included in the payables balance is Kshs. 136,129,882 which was outstanding for over one year. This was contrary to Section 53(8) of the Public Procurement and Asset Disposal Act, 2015 which states that 'an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contract(s) are reflected in approved budget estimates. In the circumstances, Management was in breach of the law.	• This relates to inherited pending bills. • The management has started settling the pending bills and has also entered into a payment plan to settle the bills.	Resolved	
5.0 Non-Revenue Water	A review of water abstraction records revealed that the quantity of water produced during the year under review was 4,696,988M³ and that water billed for consumption was 2,143,323M³, resulting in water sales valued at Kshs.304,746,356 as reported in Note 6 to the financial statements. The difference in water volume, amounting to 2,553,665M³, which translates to approximately 54% of the water produced, was neither billed nor accounted for. The 54% is above the recommended rate of 25%	• We have prepared an NRW management plan to address the water losses and the sale is being implemented. We have also purchased master meters for the measurement of production volumes.	Resolved	

	by 29%, whose an estimated abnormal loss of water sales is Kshs. 165,684,925. Further, the Company did not have master meters and based its production on estimates. The non-revenue water may have resulted in a loss of revenue estimated at Kshs.165,684,925. In the circumstances, efficiency and effectiveness in the use of public resources could not be confirmed.			
6.0 Personnel Expenditure as a Percentage of Operating and Maintenance Costs	A review of records revealed that the Company reported personnel expenditure of Kshs.91,111,391 against total operating and maintenance costs of Kshs.142,422,498 for the year ended 30 June 2024. Personnel expenditure accounted for 64% of the operating and maintenance costs, which is significantly higher than the expected threshold for commercial viability for medium companies of 40%. This was contrary to the requirement of Section 3.9(10) of the Water Services Regulatory Board (WASREB) Guidelines, 2018 which provides that personnel cost as a share of operations and maintenance cost for medium companies shall be contained below 40%. In the circumstances, Management was in breach of the Water Services Regulatory Board Guidelines.	• We inherited a huge wage bill from the previous administration. The company has plans to increase its revenue and water supply coverage.	Partly resolved	

1.0 Maintenance of Dormant Bank Accounts	A review of records provided for audit indicated that the Company operated commercial bank accounts to implement water projects. A review of the bank statements revealed that the ten (10) accounts had been dormant for over two (2) years with a balance of Kshs.680,668 as of 30 June 2024, incurring bank charges. In the circumstances, the failure to close dormant bank accounts may have led to the loss of public funds through unnecessary bank charges.	• The dormant accounts have now been closed.	Resolved	
2.0 Effectiveness of the Internal Audit Unit and Audit Committee	A review of the governance structures at the Company revealed that the Company had established an Internal Audit Unit and an Internal Audit Committee. However, the internal audit unit did not provide audit reports to support the assignments executed during the year. Further, the Audit Committee did not deliberate on reports of external auditors. In the circumstances, the effectiveness of governance structures at the Company could not be confirmed.	• The internal audit unit and internal audit committee are now operational.	Partly resolved	

Name: Mohamed Mohamud Dolal

Signature: 

Managing Director

Date 02/10/2025

Appendix II: Projects Implemented by the Company

Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/ Duration	Donor commitment	Separate donor reporting is required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Wsdp Project	IDA CREDIT NO:60290/60300	World Bank	4YRS		Yes	Yes
UBSUP Project	02HS/NWWDA/GARISSA/058	WSTF	6 Months		Yes	Yes
CLSG Project		WSTF	6 Months		Yes	Yes
Hulugho Reverse Osmosis Project	RIP/1/W/GARISSA/HULUGHO/1	WSTF	6 Months		Yes	Yes

Status of Project Completion

	Project	Total Project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
4	WSDP Project	1,497,128,290	1,495,249,688.92	99%	1,497,128,290		WORLD BANK
5	UBSUP Project	17,214,223	11,637,611	68%	17,214,223		WSTF
6	CLSG Project	21,455,480	21,449,680	100%	24,831,493		WSTF
7	Hulugho Reverse Osmosis Project	13,200,000	12,226,310	93%	13,200,000		WSTF

Appendix III- Inter-Entity Confirmation Letter

Name of Transferring entity.....

Name of Beneficiary entity.....

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30th June (Current FY)

Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
RTGS Garissa County	15th October, 2024	-	98,595,330.00	98,595,330.00	Received
Total			98,595,330.00	98,595,330.00	

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department - Disbursing Entity:

Name: **WSDP** **Sign** ..... **Date** 15th October, 2024

Head of Accounts Department - Beneficiary Entity:

Name: **Mohamed M. Dolal** **Sign** ..... **Date** 15th October, 2024

Appendix IV: Reporting of Climate-Relevant Expenditures

There were no climate-related expenditures.

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-

Appendix V: Reporting Disaster Management Expenditure

There were no Disaster Management Expenditures

Date: Entity						
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster-related Activity that requires expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
-	-	-	-	-	-	-

Appendix VI: Recording of Transfers from Other Government Entities

There were no Disaster Management Expenditures

Name of the County/ MDA/Donor Transferring the funds				Where Recorded/recognized					
	Date received as per the bank statement	Nature: Recurrent/ Development/Others	Total Amount - KES	Statement of Comprehensive Income	Capital Fund	Deferred Income	Receivables	Others - must be specific	Total Transfers during the Year
WSDP	15/10/2024	Project Funds	98,595,330.00	98,595,330.00	-	-	-	-	98,595,330.00
Total			**98,595,330.00**	**98,595,330.00**	**-**	**-**	**-**	**-**	**98,595,330.00**