

Government of Egypt  
Governorate of Fayoum

Government of the Netherlands  
Ministry of Foreign Affairs  
Directorate General for  
International Cooperation

## FAYOUM DRINKING WATER AND SANITATION PROJECT



### FINANCIAL MANAGEMENT DEVELOPMENT PLAN

#### Part I: Capability Development

#### EL AZAB

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EL AZAB WATER WORKS and  
FAYOUM SANITATION DEPARTMENT  
in cooperation with

**IWACO**

Consultants for Water & Environment

Rotterdam  
The Netherlands

**DHV**

DHV Consulting Engineers  
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**ECG** *مراجعة الهندسة والاستشارات*

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## TABLE OF CONTENTS

Preface .....	iv
<b>1. INTRODUCTION .....</b>	<b>1</b>
<b>2. ASPECTS OF FINANCIAL MANAGEMENT .....</b>	<b>2</b>
<b>3. REVIEW OF THE CURRENT FINANCIAL MANAGEMENT AT AW .....</b>	<b>3</b>
3.1 General overview .....	3
3.2 Organisational aspects .....	3
3.3 Financial information system at AW .....	3
3.4 Financial staff capabilities .....	4
3.5 Revenue Management .....	4
<b>4. THE INSTITUTIONAL SETTING. ....</b>	<b>7</b>
4.1 The legal environment .....	7
4.2 The legal framework of an Economic General Authority .....	8
<b>5. FINANCIAL MANAGEMENT IN FWGA .....</b>	<b>10</b>
5.1 General overview .....	10
5.2 Organisational structure for financial management in FWGA .....	10
5.3 Financial information system in FWGA .....	11
5.4 Financial staff requirements in FWGA .....	12
<b>6. PLAN OF IMPLEMENTATION .....</b>	<b>15</b>
References .....	18

## LIST OF CHARTS

1. The process of planning and control in FWGA
2. Organisation chart for financial management in FWGA
3. Lay-out of the financial information system in FWGA
4. Phasing of financial management development activities, January 1995-July 1996

## LIST OF TABLES

1. Overview of the current financial staff of AW in numbers, education and experience. 4

**LIST OF APPENDICES**

1. Chart of the current organisation structure of El Azab
2. Collection report for arrears and current bills in the pilot area
3. Law no. 61 of 1963 on Public (General) Authorities
4. Draft Presidential Decree for the establishment of Aswan General Authority
5. Organisation chart of Finance&Administration Department (according to the Masterplan 1993)

**LIST OF ACRONYMS AND ABBREVIATIONS**

<b>AD</b>	<b>Accounting Department at El Azab</b>
<b>AW</b>	<b>El Azab Water Works</b>
<b>AWGA</b>	<b>Alexandria Water General Authority</b>
<b>BoD</b>	<b>Board of Directors in a General Authority</b>
<b>FAD</b>	<b>Financial and Administrative Department at El Azab</b>
<b>FaDWSP</b>	<b>Fayoum Drinking Water and Sanitation Project</b>
<b>FWGA</b>	<b>Fayoum Water General Authority</b>
<b>GA</b>	<b>General Authority</b>
<b>GOE</b>	<b>Government of the Arabic Republic of Egypt</b>
<b>GOF</b>	<b>Governorate of Fayoum</b>
<b>NOPWASD</b>	<b>National Organisation of Potable Water and Sanitary Drainage</b>
<b>MHPU</b>	<b>Ministry of Housing and Public Utilities</b>
<b>MOF</b>	<b>Ministry of Finance</b>
<b>MOP</b>	<b>Ministry of Planning</b>
<b>SAS</b>	<b>Standard Accounting System</b>

## **Preface**

The Masterplan has dedicated the period 1994-1996 to the organisational restructuring of AW [FaDWSP, October 1993a]. This phase is aimed at preparing the AW organisation for the change of its legal status in order to provide the organisation with a certain degree of autonomy. The future semi-autonomous body should incorporate the Fayoum City Water Authority, currently operating independently from AW.

In February 1994, a workshop on the institutional development of AW was held. One of the results of this workshop was that the GOF expressed the intention to transfer both AW and the Fayoum City Water Works from the current status of Public Utility into one Economic General Authority [Gaber and van Schaik, 1994].

The Inception Report - Phase II adopts this strategy and envisages that transition into an autonomous body could be effected by the end of Phase II, i.e. at the beginning of July of the year 1996 [FaDWSP, September 1994]. Autonomy is sought in the fields of operation, finance and staffing, according to the model as currently followed in Alexandria by AWGA. To guide this process FaDWSP will prepare a Transfer Strategy Document, to be followed by an Implementation Plan, which will outline the necessary steps for transition.

The Financial Management Development Plan considers the transition issues from the financial management perspective. It is a follow-up study of last years reconnaissance study on financial and accounting systems and policies. [FaDWSP, December 1993a]. Financial management deals with planning, organising, conducting and controlling the financial affairs of AW. The following aspects of the financial management are distinguished in the current report:

- the organisational structure,
- the financial staff,
- the accounting system, including internal auditing,
- the financial planning and budgeting system, including budget-control.

The current report is a contribution to the formulation of a transfer strategy. Besides that, it gives recommendations on procedures to be followed and systems to be implemented in order to make the operation as a General Authority successful from a financial management point of view. As such it also provides elements of the Implementation Plan.

The Financial Management Development Report consists of four parts:

- Part I: Capability Development
- Part II: Budgeting System
- Part III: Accounting System
- Part IV: Assets Valuation Protocol (Draft)

Part I on Capability Development gives an overview of the current status of the financial management at AW and outlines the structure for a new approach. In this way it summarizes Part II and Part III on budgeting and accounting. Part I also gives a brief overview of the institutional setting in which AW currently operates and evaluates the possibilities for gaining more financial autonomy. Furthermore, it presents a new organisational chart for the handling of financial affairs, different from the draft presented in the Masterplan. Finally, Part I presents a plan for implementation for the various components of the financial management system up to July 1996.

Part II on Budgeting gives an overview of the main characteristics of budgeting to introduce the concept of budgeting at AW. Next, the report reviews the existing budgeting procedures at AW. The main part presents the framework of a recommended budgeting system for AW as a General Authority (abbreviated as FWGA).

Part III on Accounting starts with an overview of the current accounting system at AW. It then introduces the Standard Accounting System (SAS) and presents a framework for the application of SAS at FWGA. Further on, this framework is worked out in more detail.

Finally, Part IV presents a draft Assets Valuation Protocol on the basis of which valuation can take place, necessary for the determination of AW capital when transfer into a General Authority is due. The protocol will propose policies, principles and rules to be followed in the valuation process, which is planned to take place later on in 1995.

The Financial Management Development Plan was written by Lex Hemelaar, Resource Analysis, Delft, The Netherlands as a consultant to DHV, and Mahmoud Soliman consultant to ECG, Cairo, The Arabic Republic of Egypt. Lex Hemelaar is responsible for Part I and II, written during a four week mission from November 8 up to December 3, 1994. Mahmoud Soliman is responsible for Part III and IV, written during a eight week mission from November 8 up to December 30, 1994.

## 1. INTRODUCTION

Capability development deals with changing the *internal* environment of AW. It considers how AW should organise and develop its employees and means in order to fit into the framework of an autonomous body. Subjects are related to

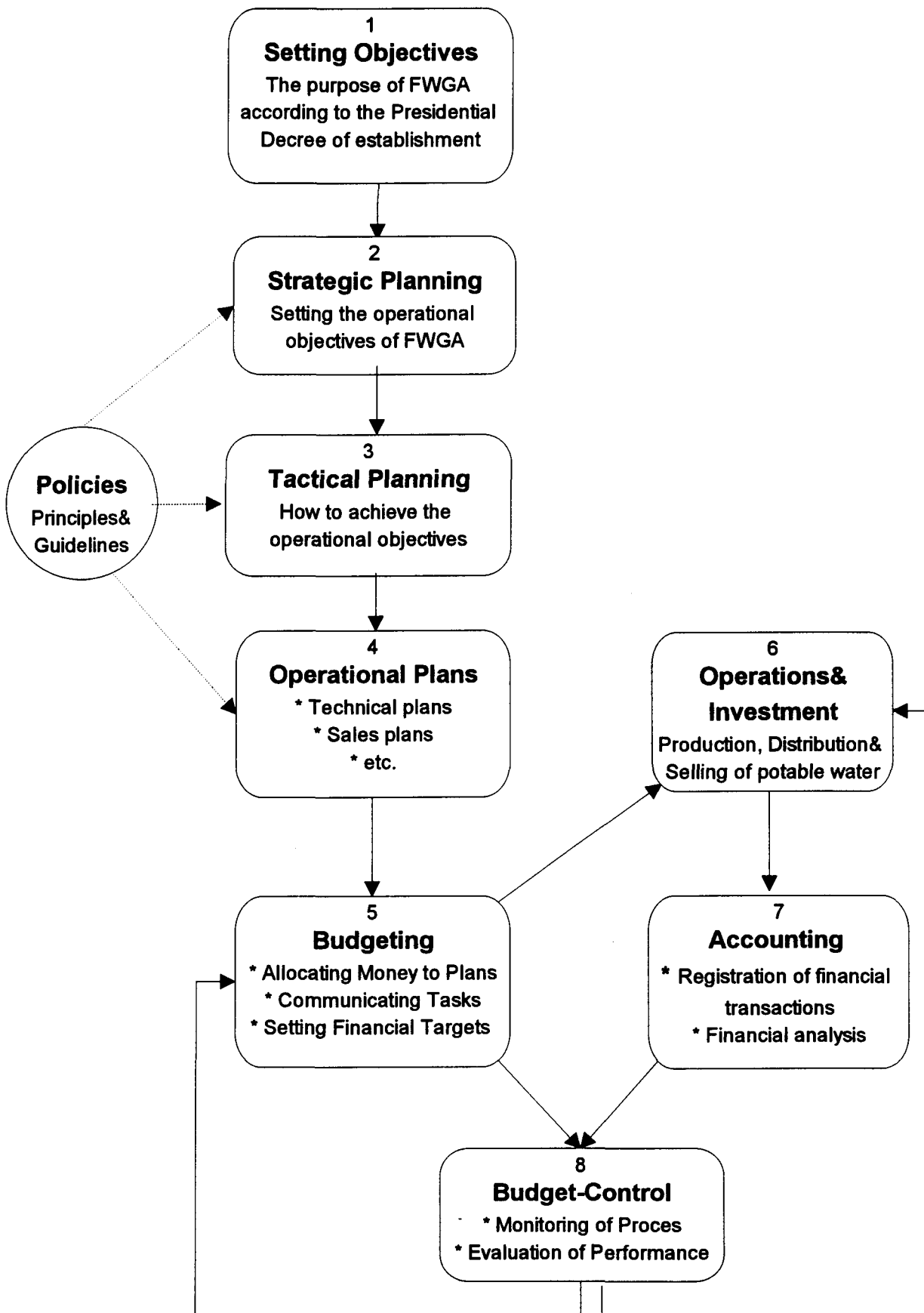
- the organisational structure: among others the organisation into departments, integration between departments, the functions required to fulfil the tasks;
- the management process and staffing: among others planning, internal policies, (delegation of) tasks and responsibilities, accountability procedures, communication structures, management styles, skill requirements, motivation, human development.
- the financial information system: among others financial information and monitoring systems, performance indicators.

It is important to distinguish between capability and institutional development. Institutional development deals with changing the *external* environment around AW. It forms the framework in which the organisation operates, i.e. the drinking water and sanitation sector. Subjects are, among others, sectoral policies, the legal status of the organisation, the relations with other actors (eg. governmental organisations, customers), the level of autonomy.

Part I of the Financial Management Development Report deals with the capability development of the financial management of AW. However, this cannot be seen in isolation from the organisational development of other departments within AW. The development within the financial management departments should be tuned and geared to what the ambitions and possibilities are with the development of other departments. Because of the strong interactions between the AW departments, the performance of the El Azab organisation as a whole cannot be better than what is performed by the weakest department. Or to use a metaphor: the chain is as strong as its weakest link. What kind of organisational development paths the departments concerned have to take to live up to these requirements, is not subject of this report.

Chapter 2 of this report discusses some aspects of financial management and introduces the process of planning and control. Chapter 3 gives an overview of the financial management system currently used at AW. It also contains a brief evaluation of the revenue improvement activities in the pilot area. Chapter 4 gives an overview of the institutional setting in the drinking water sector with regard to autonomy processes. Chapter 5 presents a proposed organisational structure of the future FWGA and an outline of the financial information system, according to SAS standards. Chapter 6 contains a plan of implementation for the development of a new financial management system, divided into six fields of activities. Finally, chapter 7 summarizes the main recommendations from the capability development study.

**Chart 1: The Process of Planning and Control in FWGA**





## 2. ASPECTS OF FINANCIAL MANAGEMENT

Financial management deals with planning, organising, conducting and controlling the financial affairs of an organisation, in order to reach the financial objectives and goals. The tasks of the financial management are, among others, execution and registration of financial transactions, cash management, analysis of financial results, monitoring costs by making budgets and analysis of cost variances, and appraisal of capital budgets. These tasks are carried out with the help of financial policies, regulations and methods.

To perform these tasks in an organised and structured way, the financial management uses a *financial information system*. The elements of such a system can be headed under accounting, planning, budgeting and budget-control activities. Currently, AW uses a governmental financial system and operates it manually. The Financial Management Development Plan recommends to change that into a standard accounting system (SAS) and to operate it on an automated basis, when AW becomes a General Authority.

Chart 1 gives an overview of the processes that organize the elements of a financial information system into a structured framework. The sequence of planning and control in Chart 1 starts with setting the objectives. Objectives form the rationale of the existence of the organisation. They have a broad scope and are formulated at a non-operational level. To achieve the objectives, strategies have to be formulated. A strategy shows the main lines that will be followed by the organisation in order to achieve its objectives, and cover a long-term period. They represent the views and opinions of the management, again at a rather high level. Objectives and strategies need to be made more tangible in order to have an operational basis for managers and their departments. This is done by tactical planning, which covers a one to five year period. In turn, the tactical plans are worked out in more detail into operational plans. These are made by the managers of all the departments and have a time-horizon from one day up to one year. An operational plan shows what future actions should be taken in order to achieve defined goals. The whole process of planning is steered by a set of policies. Policies have a more operational character and show which standpoints an organisation takes in the issues and the problems it is facing.

Still following Chart 1, plans are eventually turned into budgets by allocating money to the activities planned. Simultaneously these budgets are directive, i.e. they communicate the tasks and responsibilities and attach financial targets to them. Operations and investments can start on the basis of the budgets and the accounting system registers the financial outcomes and analyses the results. Finally, in the phase of budget-control the monitoring of operations and investment takes place from the perspective of costs. Periodically, this will be wrapped up by making a financial performance evaluation of managers and their departments.

### **3 REVIEW OF THE CURRENT FINANCIAL MANAGEMENT AT AW**

#### **3.1 GENERAL OVERVIEW**

This chapter gives an overview of the financial management system currently applied at AW. AW comes under the Department of Housing in the GOF. As a governmental organisation, AW is completely tied to the regulations and methods of that system. AW does not go beyond this, although there may be some opportunities to get more financial information out of the system. Being in the governmental structure means that there is no match between revenue collected and expenditure budgets granted by the MOF.

Section 3.2 discusses how AW has organized its financial management from an organisational point of view. Section 3.3 gives a brief overview of how the financial information system works. Section 3.4 deals with the existing capabilities of AW's financial staff. Finally, section 3.6 briefly evaluates the progress made so far with the revenue management in the pilot area. More details on the current system are given in Part II and Part III on budgeting and accounting, respectively.

#### **3.2 ORGANISATIONAL ASPECTS**

Appendix 1 to this report gives the current organisation chart of AW as adopted from the Inception Report [FaDWSP, July 1991]. The chart shows that financial management is divided among two departments: the Accounting Department (AD) and the Finance and Administration Department (FAD). The AD does the actual accounting, which is effected on a cash-basis according to the regulations for governmental organisations. The head of the AD and its assistant are accountable to the MOF. The staff of the AD is accountable to the General Manager of AW. This rather ambiguous situation concludes that the AD is represented as a staff department. The FAD includes some sub-departments which deal with financial management aspects, viz. Personnel Affairs, Private Billing, Government Billing, Stores, and Procurement. These sub-departments of the FAD are responsible for salary administration, billing, revenue administration and collection, stores administration and control, and purchasing. The head of FAD is also responsible for budgeting and is accountable to the General Manager.

The spreading of the responsibilities of financial management among the two departments, FD and AD, hinders an effective financial management and causes doublures in the process of financial registration.

#### **3.3 FINANCIAL INFORMATION SYSTEM AT AW**

Currently, AW operates a governmental cash-accounting system on a manual basis. It is merely concerned with the registration of financial data and hardly produces financial information. The aim of the system is producing reports to fulfil the requirements set by the MOF. The overlap of these requirements with what is needed for sound financial management is unfortunately rather small. The main features of the system are:

- the system registers and budgets expenditure rather than costs;
- there is no match between revenue collected and expenditure budgets;
- there is no allocation of expenditure to functional and geographical departments, so a monitoring of the performance of managers and departments is not possible;

- the financial system is not used to make a further analysis of financial data;
- budgeting is done in a rather straightforward way, and not based on what is needed to fulfil tasks.

The scope for improvement of the current system within its existing framework is limited. First of all, the system is mainly under the control of the MOF and AW has no authority in making amendments. Secondly, the system itself has its boundaries when it comes to producing financial information. Although some improvement could be made, for instance by calculating some financial indicators, the boundaries set by the system would soon be reached.

### 3.4 FINANCIAL STAFF CAPABILITIES

The financial staff of AW has a size of about 120 employees, including management. Table 1 gives an indication of their capabilities.

Table 1. Overview of the current financial <sup>& admin.</sup> staff of AW in numbers, education and experience

Education	Total	< 1yr	1-5 yr	5-10 yr	> 10 yr
Faculty of Commerce	3	1	-	1	1
Secondary Commercial School	86	4	10	43	29
Commercial Institute	4	-	1	2	1
Technical Secondary School	6	-	-	5	1
Preparatory School	20	-	1	13	6
Secretary Institute	1	-	-	-	1
<b>Total</b>	<b>120</b>	<b>5</b>	<b>12</b>	<b>64</b>	<b>39</b>

From the table it is clear that only three employees have an university education, of which the head of FAD and the system manager of Revenue Improvement Taskforce (RIT) are two of them. The major part of the staff has a secondary commercial school education. Experience in table 1 is measured by years in AW service. Most of the staff works at AW for more than five years. The capabilities and experiences of the Fayoum City Water Works staff are not included in table 1. The conclusion from this table and from discussions with some the head of FAD, is that accounting and budgeting capabilities of most of the staff do not go beyond a basic level.

### 3.5 REVENUE MANAGEMENT

The basis for a change in revenue management within AW was laid down in the Revenue Improvement Action Plan, some two years ago and updated last year [FaDWSP, July 1992; FaDWSP, December 1993b]. A Revenue Improvement Taskforce (RIT) was formed to implement the plan on a pilot scale in the district of Senoures. The plan consists of four parts:

- introduction of a water meter management system,
- update of the customer data and entry into an automated data-base,
- a computerized billing system, and
- a reorganisation of the meter reading and collection system.

The plan combines these components into an integrated approach of revenue improvement.

The performance of the RIT is satisfactorily and its results in terms of collection efficiency are promising. Appendix 2 to this report contains a collection report made by the RIT, covering the period from the introduction of computerized bills in June 1994 until November 1994. The results are based on bills issued to approximately 3,500 customers, a rather small part of the pilot area of about 25,000 customers. A much larger part of the pilot area is yet covered in the data-base, but bills can only be produced some months afterwards, when the first reading has been done.

The report shows that about one third of the arrear bills has been collected or LE 54,064. The collection of revenue for current sales varies between the 50 and 99%, with on average 81% or LE 46,880 being collected. However, this includes bills issued in October for which collection is still going on. If the bills issued in June and August are taken separately, the collection efficiency is between 90 and 99%. Note that the arrear amount collected is higher than the current sales collection. This justifies the attention that the RIT has given to the calculation and organisation around the collection of arrears.

A number of reasons account for the success of the RIT:

- the positive impact that an orderly produced bill with full details has on the willingness to pay,
- the ~~transfer~~ of local unit collectors to AW staff, so that they come directly under the RIT manager,
- the strictly and promptly follow up that is given by the RIT in case customers fail on their bills, which means disconnection from the network,
- and the competence and enthusiasm of the RIT staff.

*Replacement*

From an organisational point of view, the RIT has filled in all of its managerial and operational positions. Regarding management, the head of the Finance and Administration Department manages the RIT on a daily frequency, the head of the Revenue Department handles the collection of bad debts, and a system manager is in charge of the automated processing. The operating staff consists of one computer operator in the office, three teams of two surveyors each in the field, which are also computer operators, and a meter reading and collection staff. In the near future, a plan will be made for the extension of the operating staff and the introduction of a computer network to replace the stand alone personal computers. This is required to cover the pilot area by June 1995 and to expand the system to the non-pilot districts afterwards.

The RIT is embedded into the AW organisation via its managing staff and via the weekly AW management team meetings in which policies, progress and results are discussed.

The field in which not much progress has been made is the water meter management. Although the twinning relations with EWR Leiden, The Netherlands has resulted in a adequate outfit of the workshop, not much meters are repaired yet. This is mainly caused by the fact that water meters are not owned by AW, but by the customer himself. A cumbersome procedure has to be followed to be able to take a meter from the customer's house, have it repaired and install the same meter again. Also, the fact that spare parts for meters from East European and former Yugoslavian make cannot be obtained, makes repairs impossible. Using good working parts from broken meters for repair is because of the ownership by the

customer not possible. Up to now AW has not succeeded in changing the administrative procedures regarding meter repairs or in applying creative ways to operate more efficiently within the legal frameworks. Transferring the ownership of the water meters to AW, as recommended in the updated revenue plan [FaDWSP, December 1993b], is not feasible until the moment that AW is transferred into a General Authority, one and a half years from now. It is feared that up to then, activity in the field of water meter repair will remain low.

## 4 THE INSTITUTIONAL SETTING

### 4.1 THE LEGAL ENVIRONMENT

Currently AW is a Public Utility and, since 1983, residing directly under the Directorate of Housing and Utilities of the Governorate of Fayoum. Therefore it has to follow the rules and regulations laid down in Law no. 43 (issued in 1979) regarding Local Administration. Autonomy can be considered as almost absent, apart from decisions on a low operational level. Autonomy, to a greater or lesser extent, can be achieved in four ways:

- a. Changing AW into a *Joint Stock Company, Share Partnership, or Limited Liability Company*, according to law No. 159 (issued in 1981).  
This option is often referred to as 'privatization'. There is no water utility in Egypt which operates under this flag. Apart from the question whether this is a suitable status for water utilities, the private sector is most likely not interested because of the poor financial performance in the drinking water sector.
- b. Changing AW into a *Public Business Sector Company*, according to law No. 203 (issued in 1991).  
In this option a drinking water company should reside under a Holding Company, i.e. a co-ordinating organisation which governs it and has the form of a joint stock company as mentioned under a. At present, there are no Holding Companies in Egypt which include water utilities.
- c. Changing AW into a *Public Sector Company*, according to law No. 97 (issued in 1983).  
In this option a drinking water company resides under a Public Sector Authority, which governs one or more companies. Private participation is allowed up to 49% of the equity. Among others the drinking water companies of Beheira (BWC), Kafr el-Sheikh (KWC) and Damietta (DWC) have followed this model. They were placed under the guardianship of NOPWASD, which is attached to the central government (MHPU). This appears to be legally incorrect as NOPWASD is a service authority and not Public Sector Authority [Aswan Water Company Project, 1994]. A request by NOPWASD to acquire this economic status was denied by the State Council. Presently, there are no institutions who have a legal status to serve as a Public Sector Authority for drinking water companies.
- d. Changing AW into a *Public (also called General) Authority*, according to law No. 61 (issued in 1963). It can either be of a service or an economic nature. Currently there are two drinking water organisations operating as an Economic General Authority, viz. in Greater Cairo and in Alexandria (AWGA). In Aswan preparations are going on to get this status.

The Aswan Water Company Project has reviewed the four options mentioned above [Aswan Water Company Project, 1994]. It was concluded that currently, transferring into an Economic General Authority is the only legal possibility for public water utilities to gain a degree of autonomy. Concerning AW, we come to the same conclusion. As mentioned before, the option of Economic General Authority is supported by the GOF. It will be clear from the discussion under item c. above, that the option of becoming a Public Sector Company is not possible from a legal point of view at this moment. However, the Planning Committee inside the Ministry of Housing is reviewing this possibility, assisted by the Central

**Audit Organisation.** Depending on the result of this review, establishment of a public company may be an option in the future.

#### 4.2 THE LEGAL FRAMEWORK OF AN ECONOMIC GENERAL AUTHORITY

This section briefly outlines what the potential degree of autonomy is, when AW becomes a General Authority (FWGA). The legal framework for this is formed by three legal provisions. First of all, the rules and regulations laid down in Law No. 61, attached to this report in Appendix 3. Secondly, a GA has to be established by Presidential Decree, in which her powers are described in compliance with Law No. 61. Thirdly, the system of by-laws is applicable which can further specify the operations of the organisation.

The Board of Directors is the highest authority responsible for managing the affairs of the GA (article 7, Law No. 61). The Board of Directors has members from inside and outside the GA. For instance the draft Presidential Decree for Aswan GA (see Appendix 4) proposes a Board of 13 members: 4 officials from the central government (MHPU, NOPWASD, MOP, State Council), 3 from the Governorate (Directorate of HPU, Directorate of Health Affairs, Directorate of Finance), 3 from the management of the GA (including the Chairman), 2 of the Governorate State Council and 1 external expert [Aswan Water Company Project, 1994]. Still, article 5 of Law no. 61 states that "the competent minister shall have the power of instruction, supervision and control", in this case the minister of MHPU. By Presidential Decree, the concerned administrative authority can also be assigned to the Governor (article 8 of Law no. 61). This is the case for AWGA as well as in the draft decree for Aswan, which stipulates that every resolution taken by the Board cannot be valid unless approved by the Governor.

The boundaries for autonomy are set by these three articles of Law no. 61. The GA has the freedom of managing its affairs, but the local and/or central government has the ultimate say. In this respect there is no difference compared with a Public Sector Company, which is affiliated to the concerned governorate.

The freedom of the GA in managing its own affairs can mainly be effected by stipulations in the Presidential Decree and by issuing by-laws. For instance the draft Presidential Decree for Aswan GA arranges that revenues and net income can be retained, reserve funds created, loans contracted, grants accepted, user charges proposed [Aswan Water Company Project, 1994]. By-laws can regulate financial, administrative (including personnel) and technical affairs, "without being limited to the governmental regulations and arrangements" (article 7, sub 1 of Law no. 61).

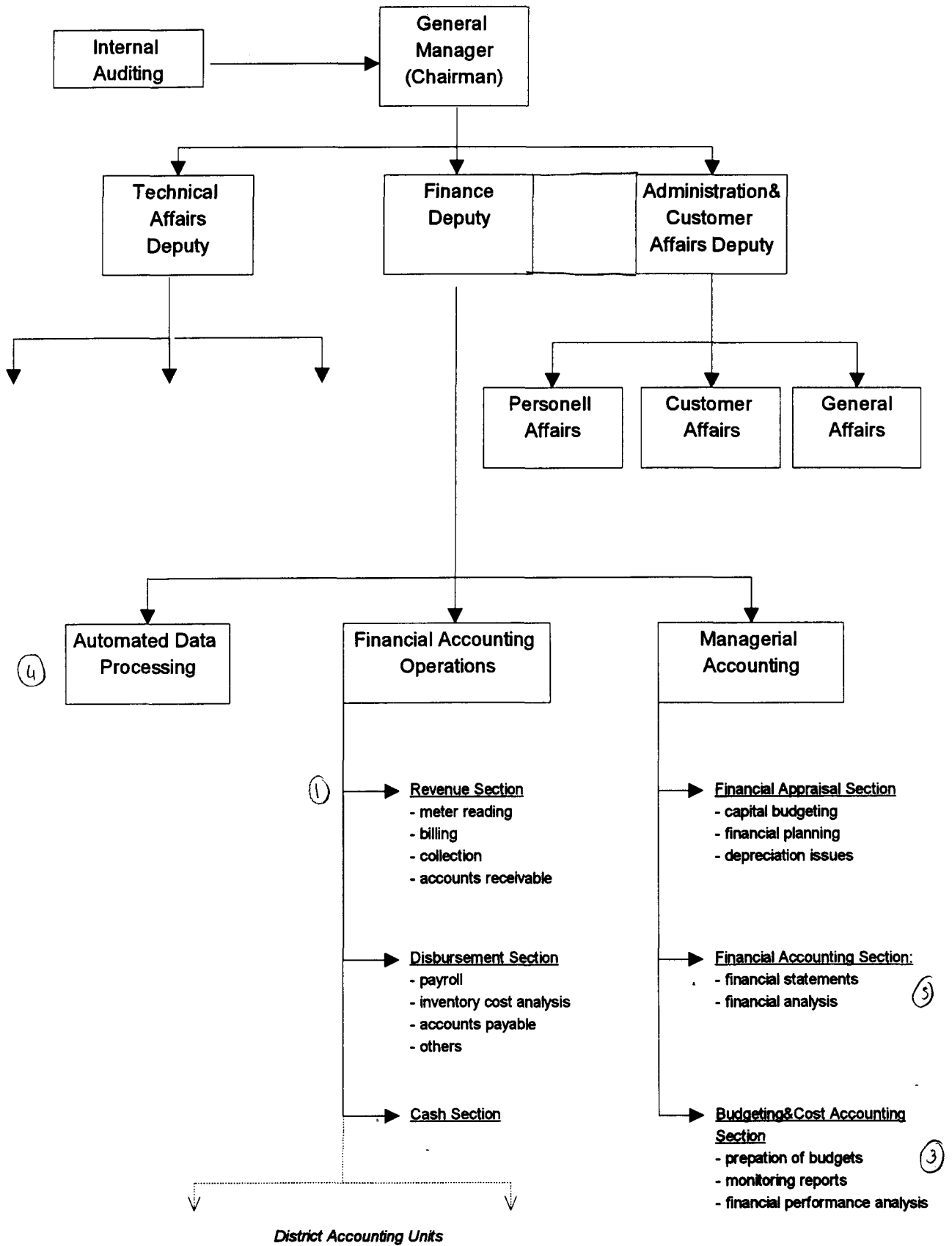
Still, concerning accounting and budgeting, the system used in a GA should be in accordance with the Standard Accounting System, which applies to Public Sector Companies as well. The method of preparing the budget can be stipulated in the Presidential Decree (article 15 of Law No 61).

The conclusion of this brief summary is that there is not a fixed definition of what a GA is. The legal boundaries set by Law no. 61 leave much room for defining a desirable degree of autonomy through, in the first place, the Presidential Decree and, in the second place, the by-laws. Therefore the autonomy of FWGA is a flexible notion, and depends very much on the interpretation of the central government and, in particular, the Governor of Fayoum.

The study done for the Aswan water and wastewater works, includes an extensive comparison between three Public Sector Companies (Damietta, Beheira and Kafr El-Sheikh) and one Economic General Authority (AWGA). Although details were not studied, the impression is that there is not a big difference between the two kinds of legal status.



**Chart 2: Organisation chart for Financial Management in FWGA**



## 5. FINANCIAL MANAGEMENT IN FWGA

### 5.1 GENERAL OVERVIEW

A new financial information system for AW when it becomes FWGA requires a new organisational set-up of financial management. Section 5.2 discusses a proposal for this. Section 5.3 introduces the new, automated system, based on the standard accounting system and organized from the principle of responsibility accounting. Section 5.4 finally, deals with the financial requirements for the new system and the training programmes required. Details on the new financial information system are given in Part II and Part III on budgeting and accounting, respectively.

### 5.2 ORGANISATIONAL STRUCTURE FOR FINANCIAL MANAGEMENT IN FWGA

The Masterplan document made a first attempt to outline a future organisational set-up of FWGA [FaDWSP, October 1993b]. The organisation chart for the so-called Finance&Administration Department is repeated in Appendix 5 to this report. Chart 2 on the next page presents a revised set-up for financial management in FWGA. Compared with the Masterplan chart the main difference is that finance is presented as a department on its own, directly under the General Manager. That means that Administration (Personnel Affairs and General Affairs) as well as Customer Affairs is disconnected from the financial management. However, billing is regarded as a financial task and taken out of Customer Affairs. This leaves Customer Affairs with handling the customer data-base, new connections, customer information and complaints, and marketing.

There are two main reasons for introducing a stand-alone Finance Department:

1. The changes recommended and foreseen in the financial management of AW when it turns into FWGA, will result in a considerable extension of the workload. These changes are:
  - the finance manager will be responsible for financial accounting, a task which is currently under the responsibility of the MOF representative,
  - new systems for accounting and budgeting will be introduced, changing the governmental system into a SAS-system,
  - the new systems include a further processing of data into financial information, a step which is currently hardly taken,
  - automation will be introduced on a larger scale,
  - a delegation of financial tasks to the district centres will require additional coordination by the finance manager.

Especially in the beginning, but certainly also later on, this will require the full attention of the finance manager. Therefore, there will be hardly any time on his agenda for dealing with personnel and customer affairs.

2. From an internal control point of view, it is required to separate both personnel and customer affairs from financial affairs. Internal control standards require that the manager who deals with 'hire and fire' should be some else than the one who is paying the salaries. Also the manager responsible for marketing and customers relations should not be the one who is issuing the bills and collect the revenue.

Continuing the discussion of Chart 2, the Finance Department is subdivided into three sub-departments. Firstly, Automated Data Processing deals with all the automated systems within FWGA, also those outside the Finance Department. It is under the Finance Department as all the automated data will eventually be fed in, or at least effect, the accounting data-base. Therefore, the coordination of the financial manager is required. Secondly, Financial Accounting Operations deals with the first-line financial tasks, like preparing financial data for entry, the entry itself and cash/bank operations. There is a subdivision into a revenue, disbursement and cash section. Further to this, it is envisaged that some of the revenue and cashier tasks will be delegated to District Accounting Units. Thirdly, Managerial Accounting handles further processing of financial data into financial information. The Financial Appraisal Section within this sub-department handles the ex-ante evaluation of investment projects and the financial planning that goes along with it. Other capital-related items include depreciation methods. The Financial Accounting Section prepares the financial statements and analyzes the financial results. Preparing the budgets is the task of the Budgeting&Cost Accounting Section Cost. This section is also responsible for monitoring of costs and the analysis of performance.

Further to Chart 2, it is noted that the Inter Auditing Department should not be placed under the Finance Department as is the case in the Masterplan chart. The internal auditor checks the financial operations and should not report to the one he checks, but directly to the General Manager.

Finally, Chart 2 does not include a representative of the MOF. However, it is envisaged that as long as FWGA cannot operate financially independent, the MOF will demand a place in the FWGA organisation. In the worst case, this materializes in a continuation of the existing Accounting Department, referred to in section 3.2. However, in that should be the case FWGA should not postpone the introduction of new systems. Then, the result will be that there will be a dual system, viz. the 'old' Accounting Department executing the governmental system, and the new Finance Department executing the new SAS accounting and budgeting systems. audit?

A proposal for tasks and responsibilities for the head of the Finance Department and the managers of the sub-departments and sections, is included in Appendix 8 of last years reconnaissance study on financial and accounting systems and policies [FaDWSP, December 1993a].

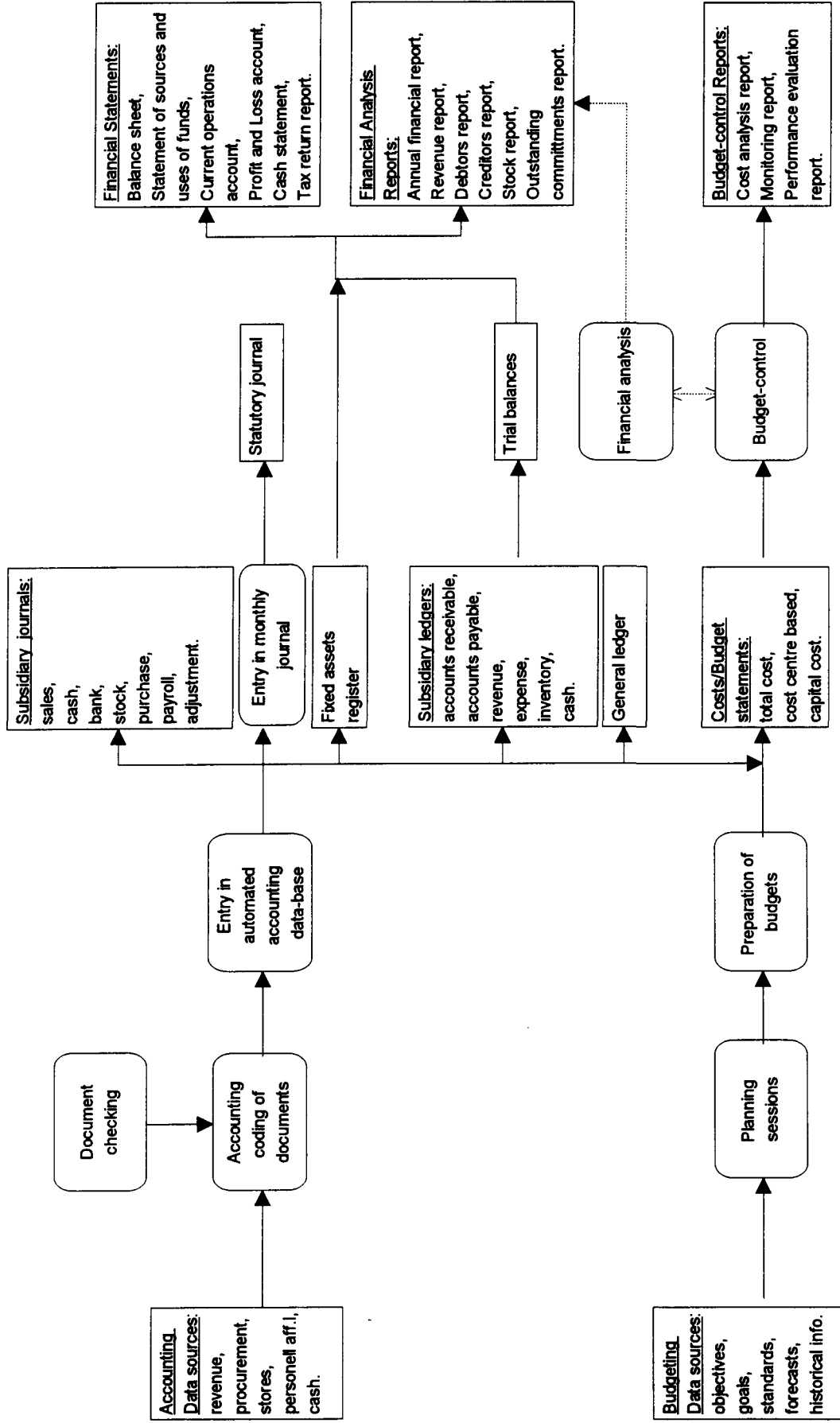
### 5.3 FINANCIAL INFORMATION SYSTEM IN FWGA

As described in section 3.3, the system currently used in AW aims at converting financial data into reports, to be sent to the MOF. The recommended system for FWGA is organized in such a way that financial data are converted into financial information, to be used by the FWGA management so that they can perform their tasks in a better way. The differences between the current AW system and the proposed FWGA system are:

1. Accounting according to the Standard Accounting System (SAS) rules and guidelines instead of using the governmental system.
2. Automation.

It is recommended to introduce an automated system as this facilitates the work enormously, reduces the possible number of errors and expands the possibilities of getting information out of the system in time.

**Chart 3: Lay-out of the Financial Information System in FWGA**



### 3. Responsibility accounting.

The new system will not only produce the financial statements required by the BoD, but will further process this information by doing financial analysis and budget-control. According to the principles of responsibility accounting, the managers of cost centres (departments and sub-departments) are provided with a tool which they can use to monitor their activities and evaluate their performance.

A lay-out of the recommended financial information system is given in Chart 3 on the next page. The system includes accounting and budgeting and can be sub-divided into four phases, viz. data-input sources, preparation and input of data, data processing and information output.

The top-half of Chart 3 gives an outline of the accounting part of the system. The data sources are the various sub-departments that produce financial documents concerning revenue, procurement, stores, personnel and cash. The revenue administration is currently automated on a pilot scale. It is envisaged that the stores and personnel administration will also be automated in 1995 (see the next chapter 6). Hence the documents coming from these department will already be pre-coded. Next, these documents will be coded according to the SAS-system. This is a crucial step in the whole process, because the code will determine the ultimate destination of the document values. Incorrect coding will lead to incorrect information as an output. This is known as the GIGO-effect, i.e Garbage In, Garbage Out. Because of the importance of this step, a check of the documents and the codes is required. In the following step, automation comes into the system. The data are entered into a computer data-base. Subsequently, in the data-processing phase, the journals and ledgers will be updated automatically, and the allocation of the actual costs to cost centres is effected. Periodically, the computer will produce trial balances, resulting in financial statements and financial analysis reports, together forming the output of the accounting cycle. More details on the accounting system are included in Part III of the Financial Management Development Plan.

The bottom-half of Chart 3 outlines the budget system. Sources for budgeting are among others objectives, goals, standards, forecasts and historical information. These are used in planning sessions in which departments make plans and discuss them in management meetings. The outcome of the planning sessions are used to prepare the budgets, which will be entered in the computerized system. The cost/budget statements will show both the actual and the budgeted costs and the variances between them. In the process of budget-control, the variances will be analyzed and budget-control reports will be the output. More details on the budgeting system are included in Part II of the Financial Management Development Plan.

The automation of the financial information system can be incorporated in the existing plans for introducing a network in the revenue management section, consisting of one server and several terminals.

## 5.4 FINANCIAL STAFF REQUIREMENTS IN FWGA

The new financial information system outlined in Chart 3 and the organisational set-up laid down in Chart 2 requires considerable higher skills by the AW staff than what is currently applied.

Chart 2 shows at least four financial management positions to be fulfilled, viz. the head of the Finance Department and three sub-department heads for Automated Data Processing, Financial Accounting Operations and Managerial Accounting. Besides these four, the position

of section heads under the three sub-departments may be considered. It is envisaged that the positions of head of the Finance Department and Automated Data Processing can be filled in by the AW's head of the Finance and Administrative Department and the system manager of the RIT, respectively.

Financial accounting operations is currently done by the representative of the MOF. Managerial accounting is currently only a marginal activity in AW. For the positions of heads of these two departments, either promising AW staff should be identified or external staff needs to be recruited.

The operating tasks will also get a new dimension with the introduction of the standard accounting system, apart from the revenue collection, which is now operated on a pilot scale and will gradually be expanded. Management positions for revenue management are already filled in and additional operating staff will be trained on the job. An indication of the number of operating staff required for the other sections is given below:

✕ Disbursement Section:	
computer operating staff	3
other staff	3
✕ Cash section:	
computer operating staff	2
other staff	1 (head office) and 5 (district offices)
Financial Appraisal Section:	
computer operating staff	1
other staff	1
✕ Financial Accounting Section:	
computer operating staff	5
other staff	-
Budgeting&Cost Accounting Section:	
computer operating staff	2
other staff	3

The total estimated operating staff requirement amounts to 13 computer operators and 13 other staff, in total 26. It is envisaged that the operating staff can be recruited from the existing AW staff, which have a secondary commercial school education.

However, an extensive training programme is required in which both the management as the operating staff participate. This programme should preferably be divided into three phases, of which the first two are jointly shared by both accounting and budgeting staff. Phase one comprises a basic course on computer operating and, as a refreshment, a basic course on accounting. Phase two makes the staff familiar with the standard accounting system (SAS). In phase three, the accounting and budgeting staff will be split and follow different courses, each dealing with the specific subjects of their future work. Both training courses will be focused on the application of the standard accounting system in the specific FWGA environment. The training of the accounting and budgeting staff can be concluded towards the end of 1995.

A training course on planning and control for non-financial managers is also envisaged in July and August 1995. There are several reasons for this. Firstly, in the new system they will go through a structured process of planning, which is new to them. Secondly, the budgets will be made on the basis of their plans, so some basic knowledge of budgeting is desirable. Thirdly, they have to get familiar with the system of responsibility accounting. In the new

system they will be confronted with variances between actual and budget costs for which they are responsible and for which they have to account for. And fourthly, they should monitor their activities on the basis of this financial information, which requires an active attitude, driven by financial information.





## 6. PLAN OF IMPLEMENTATION

This section wraps up the financial management activities to be done in the period up to July 1996, the expected month of transferring into a General Authority. The time period from the current date onwards, covers one and a half years. Chart 4 shows the components of financial management that require improvement, and the phasing of the activities in the one and a half years period. The components include stores administration, payroll administration, revenue management, budgeting, accounting and assets valuation. Each of these are discussed in detail below.

For both the *stores administration* and the *payroll administration* it is envisaged that the real implementation of a new system can start at the beginning of 1996, March and January, respectively. In both cases the new system is an automated administration. Details on this are not included in the Financial Management Development Reports as this was not in the terms of reference. Still, a short study on the automation of both administrations has to be done. The terms of references have to be made in due course, preferably in January 1995. Both studies should give an overview of the current systems, present a lay-out of a recommended system, advise on the software and hardware to be purchased, identify the number of staff for operations and the skills required, identify training needs, advise on a training programme and present a detailed implementation schedule.

When the studies are executed in April 1995, the staff and means can be acquired in the two months afterwards. Subsequently, training can take place from July to September. For the stores administration there should also be an additional activity for rearranging the existing outfit of the stores, which are currently in a bad condition. Next, shadow implementation is due in the last quarter of 1995. During this period the automated system will be operated next to the current system. Shadow implementation is required, as it is envisaged that a new system will have its operating problems in the starting phase. Finally, real implementation can start in January 1996 for the payroll administration and in March 1996 for the stores administration, at which dates the current system will be stopped and taken over by the new system.

For *revenue management* things have been well under way for quite some time. The plans made by the Revenue Improvement Taskforce (RIT) foresee a complete coverage of the pilot area at the end of June 1995. From that time onwards, the extension of the coverage to the whole service area can begin. Therefore, the teams of surveyors which update the customer data-base will be doubled. Besides, additional computer terminals and operators are required. On the job training should take place in the first half of 1995.

Priority for extension will be given to area's which are sufficiently supplied with water. The RIT will produce a detailed plan of extension in the near future. It is envisaged that in July 1996 about 50.000 customers will be covered by the automated system.

The outlines of a new *budgeting system* and *accounting system* are presented in Part II and Part III of the Financial Management Development Plan, respectively. On the basis of these reports a three week study has to be carried out, which makes a detailed plan of implementation. This study should identify the software and hardware requirements, make detailed staff requirements and advise on the selection of existing staff and possible recruitment of staff from outside AW. Furthermore, the study should review the appropriate existing software in the market, applied either in sister organisations or elsewhere. The study should advise on either purchasing existing software and apply it, after modifications, to the FWGA environment or commission the design of a complete new software programme and

manual. Finally, the study should advise on the training programmes, courses and institutions to be selected for the accounting and budgeting training programmes described in section 5.4. The study should be carried out in March 1995; the terms of reference to be produced two months earlier in January.

On the basis of the results of the study, the procurement of hardware and software, and the selection of staff could take place in the period from April to June 1995.

Subsequently, in July 1995, a six month period of training for the accounting and budgeting staff can start, divided into three phases as outlined in the previous section.

In January 1996, both the budgeting and accounting system can start their phase of shadow implementation simultaneously. For the accounting staff this will include the application of the monthly accounting cycle with the new system. The budgeting staff will draw up the 1996/97 budget according to the new system, and make the monitoring report of the January-March 1996 period. After a six month shadow period, real implementation is due at the expected starting date of FWGA.

The last component mentioned in Chart 4 regards *assets valuation*. Part IV of the Financial Management Development Plan is a draft protocol. This contains policies, rules and methods to be applied in the valuation process. The protocol has to be discussed with all the parties involved. After revision of the protocol, a second round of discussion may be required after which the protocol can be approved. Actual valuation of the assets can start in August 1995 and may take about seven months. After approval of the list of assets and their values, a continuing updating is required up to June 1996. Actual transfer of assets is scheduled to take place at the expected date of establishment of the FWGA, i.e. the 1st of July 1996. A possible extension of the valuation period by a couple of months can be fit into the time schedule without bringing the date of transfer into danger.

Special attention is required for the position of the Fayoum City Water Works, that will merge with El Azab into FWGA. Preferably, the activities laid down in the implementation plan should be organised not in isolation from the Fayoum City Water Works. Only then, inefficiencies can be avoided and optimal benefits can be obtained from the possibilities that the Fayoum City Water Works may offer. Up to now, there are hardly any contacts on this matter with the Fayoum City Water Works. Prompt action is required in order not to disturb the implementation schedule.

It is recommended that the whole process of financial management development is under the permanent guidance of an external expert, temporarily assisted by senior local and foreign expert consultants. The external advisor should both monitor the development process in two ways:

- firstly, ensure that implementation is done according to the outline of the systems laid down in the Financial Management Development Plan, Part I to IV and the detailed studies planned to be executed in the beginning of 1995; and
- secondly, assist in the practical and logistic hands-on implementation of the new system. Because of this last requirement and given the fact that the framework for the new systems is already laid down, the external expert should preferably not have a senior profile.

Summarized, the external financial assistance recommended consists of:

- one advisor for the period of 15 months from April 1995 - July 1996 for permanent assistance;
- two local senior consultants for a period of 6 weeks in March/April 1995 to advise on the detailed requirements for implementation of the stores administration, payroll

administration, and accounting and budgeting systems, of which one has a financial and one a computer background;

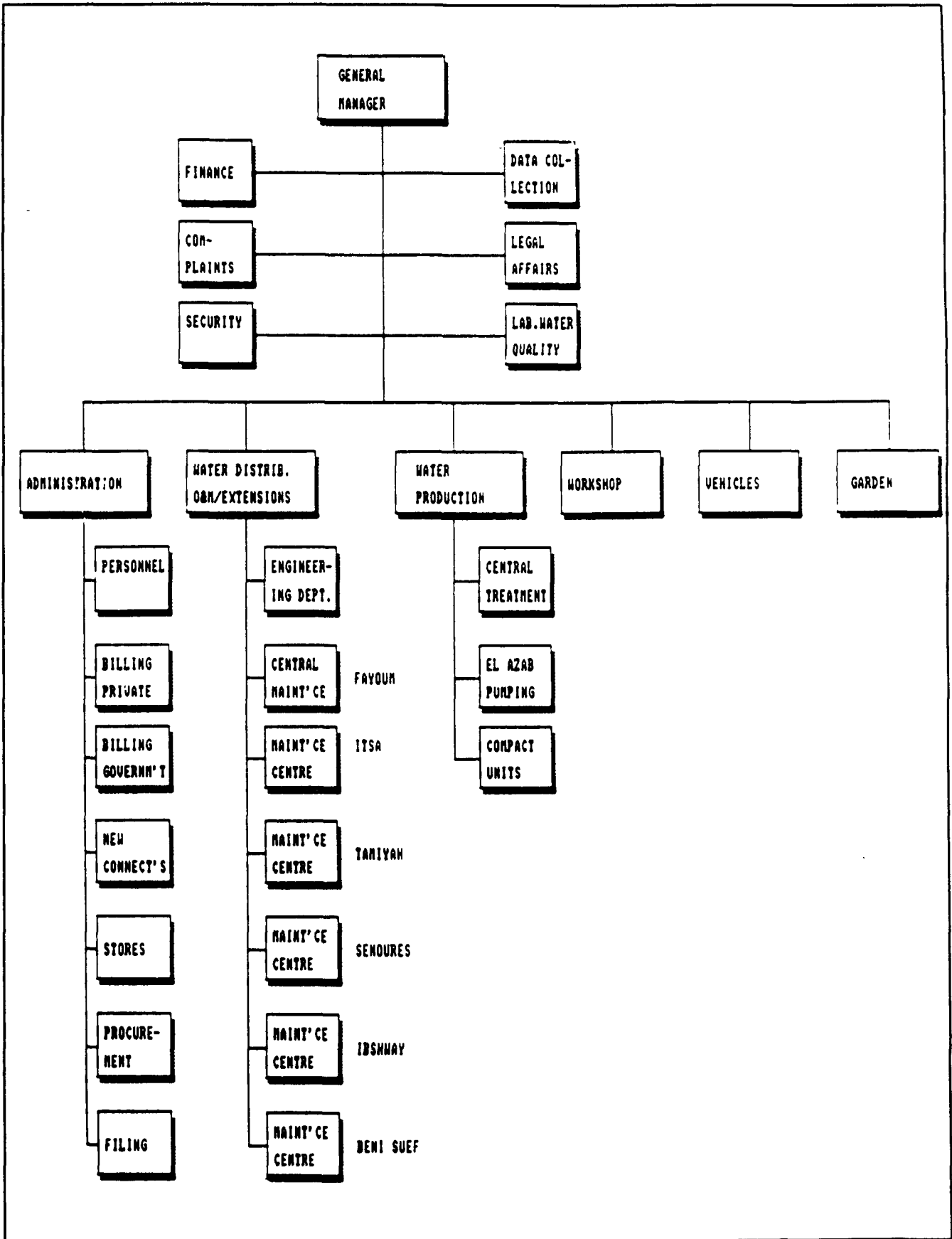
- one local senior consultant for a period of 1 week in May 1995 for the revision of the draft asset valuation protocol;
- one local senior consultant for a period of 2 months in June 1995 to review the progress made and advise on future the financial management development activities,
- one foreign consultant for a period of 4 weeks in June 1995 to review the progress made and advise on future the financial management development activities,
- one local senior consultant for a period of 1 month in March 1996 to review the shadow implementation process and advise on future process.

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**Appendix 1**

**Chart of the Current Organisation Structure of El Azab  
(adopted from the Inception Report, 1991)**



Organizational chart El Azab

**Appendix 2**

**Collection Report for Arrears and Current Bills in the Pilot Area**

WATER CONSUMPTION DEPARTMENT  
COMPUTER UNIT

COLLECTION REPORT FOR ARREARS BILLS

VILLAGE	NUMBER OF BILLS	COLLECTED BILLS	REMAIN BILLS	THE TOTAL OF BILLS	THE TOTAL OF COLLECTION	AVERAGE	DTAE OF ISSUE
TERSA	850	328	522	63828.23	17487.15	27%	01/06/94
NAQLIFA	838	498	340	44317.58	17550.24	40%	01/08/94
ABHIT	308	139	169	16715.24	4094.62	24%	01/08/94
GABLA	690	377	313	28648.1	10194.42	36%	01/08/94
ZAWIA_G	136	99	37	11467.73	4737.83	41%	01/08/94
30/11/94 BY : Anam				<u>164976.88</u>	<u>54064.26</u>	<u>37%</u>	

WATER CONSUMPTION DEPARTMENT  
COMPUTER UNIT

COLLECTION REPORT FOR WATER BILLS

VILLAGE	NUMBER OF BILLS	COLLECTED BILLS	REMAIN BILLS	THE TOTAL OF BILLS	TOTAL OF COLLECTION	AVERAGE	DATE OF ISSUE
TERSA_1	1194	1163	31	7522.43	7248.56	96%	01/06/94
TERSA_2	1194	1099	95	7551.64	6763.84	90%	01/08/94
TERSA_3	1255	968	287	12930.39	8771.27	68%	01/10/94
NAQLIFA	964	946	18	5545.96	5299.82	96%	01/08/94
NAQLIFA	983	573	410	6055.38	3031.88	50%	01/10/94
ABHIT	345	341	4	1643.43	1627.11	99%	01/08/94
ABHIT	345	325	20	1740.81	1560.46	90%	01/10/94
GABLA	833	793	40	5840.68	5669.58	97%	01/08/94
GABLA	833	526	307	6422.56	4766.82	74%	01/10/94
ZAWIA_G	168	164	4	1099.06	1081.42	98%	01/08/94
ZAWIA_G	168	151	17	1211.53	1060.21	88%	01/10/94
Date : 30/11/94				<u>57563.87</u>	<u>46880.97</u>	<u>81%</u>	

By : Anam



**Appendix 3**

**Law No. 61 of 1963 on Public (General) Authorities**

#### **2.4 Law No. 61 of 1963, Promulgation Law of Public Authorities**

Several utilities in both service and economic fields at both the national and local levels take the form of public authorities. In the field of water, there are two public authorities, in Greater Cairo and Alexandria, and both authorities are of an economic nature. The wastewater authorities are also converting from service to economic authorities, as procedures are underway to issue a presidential decree to convert the Alexandria Wastewater Authority to an economic public authority.

The provisions of this law are as follows:

- Article "1": It is permissible upon a presidential decree to establish a public authority to manage a utility providing a public service. Such an authority shall have a juridical personality.

- Article "2": The decree of incorporation includes the following information:
1. Name and location of the authority
  2. The purpose for which it was incorporated
  3. A statement of its assets and liabilities
  4. The powers granted to it as a general authority to achieve the purpose for which it was incorporated.
- Article "3": The general authority may contract and undertake all the procedures and activities required to achieve its purpose.
- Article "4": The authority shall establish the by-laws regulating its affairs including the rules adopted in its management and accounting system. This will be done within the limits of the provisions stated in this law and the presidential decree establishing this authority.
- Article "5": The competent minister shall have the power of instruction, supervision and control over the affiliated public authorities.
- Article "6": The general authority is run by its board of directors. The relevant presidential decree shall state the composition of the board of directors, the method of selecting its members, and the provisions related to their salaries and allowances.
- Article "7": The authority's board of directors is the highest authority responsible for managing its affairs, conducting its activities, and proposing the general policy to be adopted. The board is empowered to take all required decisions to achieve the authority's purpose according to the provisions of this law and within the limits stated in the presidential decree, especially:
1. To set forth by-laws and internal regulations and decisions relative to the financial, administrative and technical affairs of the authority without being limited to the governmental regulations and arrangements.
  2. To issue the regulations related to the appointment promotion, transfer, dismissal, salaries, wages, bonuses and pensions of the authority's employees and

workers, according to the provisions of this law (61/1963) and within the limits of the relevant presidential decree.

3. To approve the draft of the authority's annual balance sheet.
4. To consider and review all the issues in its jurisdiction proposed by either the competent minister or the chairman.
5. To study the periodical reports on the work progress in the authority and its financial position. The board may delegate some of its powers to a committee of its members, the chairman or the director of the authority.

The board may also authorize one of the members or managers to execute a specific assignment.

Article "8": The Chairman of the board of directors is responsible for the management of the authority in addition to handling its affairs. This is done according to the provisions of the relevant presidential decree and under the supervision of the concerned administrative authority. In this regard the Chairman is entitled to delegate his powers to one or more managers.

Article "9": The Chairman of the board represents the authority in its relations with other authorities and persons and before the courts of law. He shall be also responsible for the implementation of the general policy set to achieve the purposes of the authority.

Article "10": The meetings of the board of directors shall be of quorum if attended by the majority of members and its resolutions shall be adopted on the basis of the majority of votes of the attendance. In case of a tied vote, the side including the Chairman shall outweigh the other.

Article "11": The board's resolutions are submitted to the competent minister for approval and he should present to the President of the Republic the decisions requiring a presidential decree.

Article "12": Without prejudice to the supervision of the Central Auditing Agency, the board of

directors may appoint one or more auditors qualified according to the terms stated in Law No. 133 of 1951 regarding accountants and auditors. The board decides the allowance of the auditor who shall enjoy the rights and perform the duties of joint stock company auditors. In case there is more than one auditor they shall be jointly responsible.

Article "13": The employees and workers of public authorities shall be subject to the provisions of the laws governing public service unless there is a special clause in the incorporation decree or the regulations set by the board of directors.

Article "14": The funds of the authority are considered public funds subject to the relevant rules and provisions unless otherwise stipulated in the authority's incorporation decree.

Article "15": The authority has its own budget and the presidential decree incorporating the authority defines the method of preparing this budget and the rules adopted in this regard.

Article "16": The Chairman of the board or whomever he deputizes prepares the draft budget and present it to the board for approval and to the concerned administrative authority for ratification.

Article "17": The merges or revocation of public authorities is done by presidential decree.

Article "18": The President of the Republic decides by a decree the bodies to be considered public authorities as regards the application of the provisions of this law.

After this presentation of the provisions of the public authorities law, it is worth mentioning that economic organizations keep their accounts according to the Unified Accounting System adopted in Egypt. The system features current operations accounts (expenses and revenues), a production and trading account, a profit and loss account and a balance sheet. These authorities also keep cost accounts as stipulated in this system and as done by the public business sector companies which by the rule of law take the form of joint stock companies.

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3. A statement of its assets and liabilities
4. The powers granted to it as a general authority to achieve the purpose for which it was incorporated.

Article "3": The general authority may contract and undertake all the procedures and activities required to achieve its purpose.

Article "4": The authority shall establish the by-laws regulating its affairs including the rules adopted in its management and accounting system. This will be done within the limits of the provisions stated in this law and the presidential decree establishing this authority.

Article "5": The competent minister shall have the power of instruction, supervision and control over the affiliated public authorities.

Article "6": The general authority is run by its board of directors. The relevant presidential decree shall state the composition of the board of directors, the method of selecting its members, and the provisions related to their salaries and allowances.

Article "7": The authority's board of directors is the highest authority responsible for managing its affairs, conducting its activities, and proposing the general policy to be adopted. The board is empowered to take all required decisions to achieve the authority's purpose according to the provisions of this law and within the limits stated in the presidential decree, especially:

1. To set forth by-laws and internal regulations and decisions relative to the financial, administrative and technical affairs of the authority without being limited to the governmental regulations and arrangements.
2. To issue the regulations related to the appointment, promotion, transfer, dismissal, salaries, wages, bonuses and pensions of the authority's employees and

workers, according to the provisions of this law (61/1963) and within the limits of the relevant presidential decree.

3. To approve the draft of the authority's annual balance sheet.
4. To consider and review all the issues in its jurisdiction proposed by either the competent minister or the chairman.
5. To study the periodical reports on the work progress in the authority and its financial position. The board may delegate some of its powers to a committee of its members, the chairman or the director of the authority.

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**Appendix 4**

**Draft Presidential Decree for the establishment of Aswan General Authority**

### Part 3

#### Draft Presidential Decree

**Regarding :** The Establishment of a General Authority of an Economic Nature, Responsible for Managing and operating the Water and Wastewater Works in the Governorate of Aswan.

**Presidential Decree No --- of ----**

#### **Establishing The General Authority for Aswan Governorate Potable Water Supply and Sanitary Drainage**

The President of the Republic,

In view of the constitution,  
and Law No. 308 of 1955 as regards administrative sequestration,  
and Law No. 61 of 1963 regarding the public authorities law,  
and Law No. 129 of 1964 regarding the Central Auditing Agency,  
and Law No. 44 of 1965 regarding the auditing of the accounts of public authorities, organizations, companies, institutions and subsidiary societies,  
and Law No. 47 of 1978 regarding the State's Civil Service,  
and Law No. 43 of 1979 regarding the local administration law,  
and Presidential Decree No. 4723 of 1966 regarding the ratification of the unified accounting system,  
and Presidential Decree No. 197 of 1981 establishing NOPWASD, and later amended by the presidential decree No. 30 of 1986,  
and the State Council's opinion,

has decided:

**Article "1":** A general authority of an economic nature shall be established and located in Aswan with a juridical personality. This authority shall be called "The General Authority for Aswan Governorate Potable Water Supply and Sanitary Drainage" and shall be affiliated to the governorate and subject to the provisions of the Law of Public Authorities.

**Article "2":** This authority shall be the only authority responsible for the production and distribution of potable water in the governorate of Aswan through the management and operation of treatment works, compact units, artesian wells, tanks, booster stations, networks, and others, which are presently supervised by the local units and the Housing and Utilities Directorate, and also the

sanitary wastewater collection, conveyance, and treatment systems in the governorate. The authority in the process of achieving this purpose is authorized to collect and retain the local resources required for regular operation and maintenance.

Article "3": The authority studies, designs, and supervises the implementation of its own new projects according to the plans and programs prepared for this purpose, with the assistance of NOPWASD. It is also responsible for tender awarding and contracting.

Article "4": The Authority's Board of Directors is composed as follows:

- \* Chairman of the board of directors whose appointment and salary are decided by a presidential decree.
- \* State Council advisor to the governorate of Aswan.
- \* Representative of the Ministry of Housing and Public Utilities.
- \* Representative of the Ministry of Planning.
- \* Member of NOPWASD Board of Directors.
- \* Director of the Housing and Utilities Directorate in the governorate of Aswan.
- \* Director of the Health Affairs Directorate in the governorate of Aswan.
- \* Director of the Financial Directorate in the governorate of Aswan.
- \* Two members of the operating management of the Authority, including an expert in technical affairs and an expert in financial and administrative affairs. Those members are appointed by the Governor of Aswan for two renewable years.
- \* An expert in the field of the authority's activity or in the economic, financial or administrative affairs, nominated by the Governor of Aswan for two renewable years.
- \* The two chairmen of the Committees on Utilities and on Planning and Budgeting of the Governorate Popular Council.

Article "5": The Authority's board of directors is the supreme power governing its affairs and is entitled to take the necessary decisions required to achieve its purpose, especially:

1. To propose the general policy for the utilities managed and utilized by the authority within the context of the government's general policy and according to its planning.
2. To propose expansion projects and implementation programs to meet the development requirements.
3. To set forth the internal regulations and organizational decisions related to the financial and administrative affairs of the authority and its employees without being restricted by the governmental regulations and arrangements.
4. To approve the authority's balance sheet, budget and closing accounts.
5. To keep net income for the benefit of the Authority and to establish general reserve funds.
6. To contract for loans.
7. To accept grants.
8. To propose potable water and sanitary drainage charges.
9. To study the periodical reports presented as regards the work progress and the authority's financial position.
10. To issue the authority's organizational and functional structure.
11. To discuss the subjects in its jurisdiction presented by the Governor of Aswan or the Chairman.

The board may delegate some of its powers to a committee of its members or the chairman or one of the managers. It may also delegate one of its members or the managers to accomplish a specific assignment.

Article "6": Upon the invitation of its chairman, the board convenes at least once per month, as well as whenever the chairman believes necessary. The Governor of Aswan may invite the board to convene and has the right to attend its meeting; in that case he has the presidency.

The board shall not be of quorum unless attended by the majority of members. Its resolutions shall be adopted on basis of the majority vote of the attendance. In case of equal voting the side including the Chairman shall outweigh the other.

The discussions which take place in the meeting together with the adopted resolutions are recorded in the minutes signed by the Chairman.

Article "7": The Chairman of the board shall report to the Governor of Aswan the resolutions adopted by the board within seven days of the date of their adoption. These resolutions are not valid until approved by the Governor or until 30 days have passed since the Governor has received them without his making formal objection to them, this other than the issues requiring a resolution by another authority.

Article "8": The Chairman of the board of directors runs the authority according to the provisions of the public authorities law, this decree, and the regulations issued by the board. He is responsible for the implementation of the general policy laid down to achieve the purposes of the authority, and for the execution of the board's resolutions. The Chairman of the board shall be entitled to empower one or more managers with some of his powers. He also represents the authority in its relations with others in the courts of law.

Article "9": The authority's resources consist of:

1. Revenues resulting from the management and operation of the utilities.
2. Funds allocated for it in the State budget or in the Aswan governorate budget.
3. Contracted loans.
4. The grants and donations accepted by the board of directors.

The funds of the authority shall be considered as funds owned by the state.

Article "10": The authority's accounts are audited according to the provisions of the laws and resolutions governing the control and auditing of public authorities` accounts.

Article "11": The authority shall have a separate budget prepared according to the adopted rules as regards the State's budget and begins and ends with it. The Chairman or whom he deputizes prepares the budget and presents it to the board of directors for approval at the set dates.

The authority also keeps regular accounts according to the requirements of the unified accounting system.

The closing account, final statements, and balance sheet are presented for each financial year for the board of directors for approval on the set dates.

Article "12": The authority's employees and workers shall be subject to the government's civil service regulations until the board of directors draws up the appropriate regulations in conformity with the authority's activities.

Article "13": Starting from the date of the validity of this decree the required employees shall be transferred to the authority from any of the local units or the Housing and Utilities Directorate of Aswan. This shall be done through a resolution issued by the Governor of Aswan and notification of the Central Authority for Organization and Management.

Article "14": All budgetary allocations pertaining to the transferred employees, operation and maintenance, and capital investment related to water and wastewater shall be converted to the authority from the budgets of the local units, the Aswan Housing and Utilities Directorate, and NOPWASD.

Article "15": All the rights, assets and obligations (liabilities) of the local units and the Aswan Housing and Utilities Directorate related to the water and wastewater activities in the governorate shall be transferred to the authority in addition to all the related establishments and facilities.

The Governor of Aswan shall issue a resolution which estimates the value of the transferred assets and defines the authority's share capital until revaluation procedures, authorized by Minister of Finance resolutions, are undertaken.

- Article "16": The Authority is exempted from the payment of customs duties on imported items needed for its projects, upon its declaration that these goods are for use in its projects and their equivalent are not locally manufactured. If such a good is sold before the end of its useful life, the Authority shall pay the custom duty on that item.
- Article "17": The authority may - in the interest of collecting its dues - undertake the procedures of administrative sequestration and execute them according to the provisions of the relevant law.
- Article "18": Until the appointment of the Chairman and the formation of the board of directors, the Governor of Aswan shall issue a resolution to form a committee consisting of technical, financial, administrative and legal experts to prepare the arrangements required so that the authority could assume its responsibilities. The committee shall perform its function in the light of the powers authorized for the board and its mission shall be over once the board of directors is formed.
- Article "19": All clauses contradictory to the provisions of this decree are cancelled.
- Article "20": This decree shall be published in the official Gazette and shall come into force as of the date of its publication. The Ministers of Local Administration and Housing and Utilities should issue the resolutions required for the execution of this decree.

Issued at the Presidency on ----- A.H.  
----- A.D.

(M. Hosni Mubarak)



**Appendix 5**

**Organisation Chart of Finance & Administration Department  
(according to Masterplan 1993)**

# EL AZAB WATER COMPANY

## FINANCE & ADMINISTRATION DEPT.

