

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

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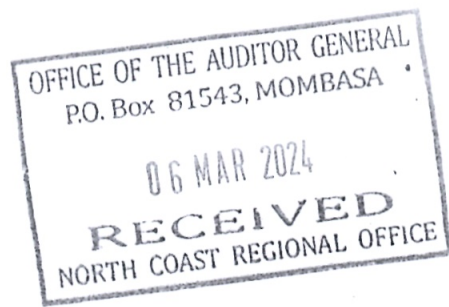
**THE AUDITOR-GENERAL**

**ON**

PARLIAMENT  
OF KENYA  
LIBRARY

**TANA WATER AND SANITATION COMPANY  
LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2023**



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**TANA WATER AND SANITATION COMPANY (TAWASCO)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2023**

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

**Tana Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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## **1. Acronyms and Glossary of Terms**

*Provide Acronyms and glossary of terms that appear in this annual report and financial statements.*

<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MD</i>	<i>Managing Director</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>
<i>TAWASCO</i>	<i>Tana Water and Sanitation Company Ltd</i>
<i>SWASAP</i>	<i>Sustainable management and Access to water and Sanitation in the ASAL's Programme</i>
<i>8<sup>TH</sup> CALL UPC</i>	<i>Urban Project Concept</i>
<i>WSTF</i>	<i>Water Sector Trust Fund</i>
<i>OAG</i>	<i>Office of Auditor General</i>
<i>ASAL</i>	<i>Arid and Semi-Arid Land</i>

## **2. Key Entity Information**

### **Background information**

The Tana Water and Sanitation Company Ltd was established by the Company Act (Cap,486) of Parliament on 1st September, 2006. At County level, the Company is represented by the County Executive Members responsible for water & sanitation and Finance and the County Secretary whom together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya and has water schemes in Ngao, Garsen, Hola, Madogo and Bura.

### **Principal Activities**

The principal activity of the Company is the provision of water and sanitation services.

### **Vision**

To be a water service provider that gives adequate and reliable water and sanitation services to residents of Tana River County.

### **Mission**

To ensure provision of efficient and suitable water and Sanitation services.

### **Core Objectives**

- Development of water infrastructure.
- Operation and rehabilitation/ maintenance of water infrastructure
- Sourcing, treatment, conveyance and distribution of water.
- Financial and operations management (billing, revenue collection, human resource, ICT, and efficient application of financial resources.

### **Directors**

The Directors who served in the water company during the year/period were as follows:

- |    |                         |                         |                              |
|----|-------------------------|-------------------------|------------------------------|
| 1. | Said Omara Waldea       | - Chairman              | - Appointed on 2023          |
| 2. | Wiliam Jillo            | - Ag. Managing Director | - Appointed on February 2021 |
| 3. | Mwanajuma Hiribae       | - Ag County Secretary   | - Appointed on 2023          |
| 4. | Mrs. Hadija Harufa Algi | -CECM Water & Energy    | - Appointed on 2023          |
| 5. | CPA. Brenda Mokaya      | -CECM Finance           | - Appointed on 2023          |
| 6. | Ambari Guyo Galgalo     | - Director              | - Appointed on 2023          |
| 7. | Mrs. Zeitun Ahmed Said  | -Director               | -Appointed on 2023           |

**Company Secretary**

Mr. Sango Maewa  
P.O. Box 29  
Hola

**Registered Office**

Water headquarters Building  
Trade Road, Liberia, Hola  
P.O. Box 90-70101  
Hola, KENYA

**Corporate Headquarters**

Water headquarters Building  
Trade Road, Liberia, Hola  
P.O. Box 90-70101  
Hola, KENYA

**Corporate Contacts**

Telephone: (254) 700281073  
E-mail: [tanawaterco@gmail.com](mailto:tanawaterco@gmail.com)  
Website: [www.tawasco.co.ke](http://www.tawasco.co.ke)

**Corporate Bankers**

Kenya Commercial Bank  
P.O Box 100-70101  
Hola




**Independent Auditor**



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

**Principal Legal Advisers**

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

3. The Board of Directors

Directors	Details
 <p><b>SAID OMARA WALDEA</b> <b>CHAIRMAN TAWASCO</b></p>	<p><b>Mr Said Omara Waldea</b> Chairman Board of Directors Date of birth 1962</p> <p><b>Qualifications</b> He holds a Bachelor of Education degree from University of San Juan De La Cruz-Costa Rica</p> <p><b>Experience</b> Over 30 years in various management role as a principal in various secondary schools.</p>
 <p><b>MRS. MWANAJUMA HIRIBAE</b> <b>Ag. County Secretary</b></p>	<p><b>Mrs. Mwanajuma Mabuke</b> Member of the Board</p> <p><b>Qualifications</b> Masters of Arts in Women, Leadership and Governance in Africa – Ongoing BSc. Business Administration Diploma in Mass Communication</p> <p><b>Experience</b> Over 20 years’ experience in advocacy, and policy analysis</p>
 <p><b>Mrs. HADIJA HARUFA ALGI</b> <b>CECM WATER AND ENERGY</b></p>	<p><b>Mrs. Hadija Harufa Algi</b> Member of the Board</p> <p><b>Qualifications</b> Master in International relations Bachelor’s degree in sociology and communications</p> <p><b>Experience</b> Over three years in research currently CECM water and energy county Government of Tana River</p>

 <p><b>WILLIAM JILLO</b> <b>AG. MANAGING DIRECTOR</b></p>	<p><b>Designation:</b> Ag. Managing Director</p> <p><b>Qualification:</b> BSc. Soil, Water &amp; Environmental Engineering Registered Graduate Engineer, Engineers Board of Kenya, EBK- (B18737) Member of Institute of Engineers of Kenya (IEK) Associate Expert NEMA (11753) Member of the Environmental Institute of Kenya (EIK)</p> <p><b>Experience</b> Over 7 years in various field and management roles as a county irrigation engineer and a Project Engineer in the NAVCDP, SIVAP, KCSAP and WFP projects.</p>
 <p><b>SANGO MAEWA</b> <b>LEGAL ADVISOR</b></p>	<p><b>Mr. Sango Maewa</b> Legal Advisor</p> <p>Qualifications Bachelor's degree in Law Dip in Law KSL</p> <p><b>Experience</b> Over five years practising law currently legal advisor Government of Tana River</p>



**Tana Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2023**



**MR. AMBARI JILLO**

**Mr. Ambari Jillo**

Holds a Bachelor of Arts In Leadership and Management. From ST. Pauls University Kenya.

**Experience**

Over twenty years in leadership and management



**Mrs. Zeitun Ahmed Said**




**Mrs. Zeitun Ahmed Said**

Diploma in Early Childhood Development and Employed by Teacher's Service Commission (TSC).

**Experience**

Over five years in education sector currently she enjoys teaching

4. Key Management Team

Managers	Details
 <p><b>William Jillo Soye</b> Appointed: Feb 2021</p>	<p><b>Designation:</b> Ag. Managing Director <b>Qualification:</b> BSc. Soil, Water &amp; Environmental Engineering</p> <p>Registered Graduate Engineer, Engineers Board of Kenya, EBK-(B18737)</p> <p>Member of Institute of Engineers of Kenya (IEK)</p> <p>Associate Expert NEMA (11753)</p> <p>Member of the Environmental Institute of Kenya (EIK)</p>
 <p><b>AbdiRahman Ismail</b></p>	<p><b>Designation:</b> Ag. Finance Manager</p> <p><b>Qualification:</b> Bachelor of Arts (Finance) CPA (Section 3)</p>
 <p><b>Salim Juma Makorane</b></p>	<p><b>Designation:</b> Ag. Technical &amp; Services Manager</p> <p><b>Qualification:</b> Certificate in Power Plant Mechanic Grade 1</p>

**Tana Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2023**



**Kimera Thuva**

**Designation:** Commercial Manager

**Qualification:**  
High Dip. Water Engineering  
Dip. Water Engineering



**Mariam Rago**

**Designation:** Human Resource & Admin

**Qualification:**  
Dip. Business Management (HR Option)



**Mohammed Korane**

**Designation:** Procurement Officer

**Qualification:** BBM (Procurement & Supply Chain Management  
Option)  
Member KISM

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

On behalf of the Board of Directors, I present the annual financial statement for the Financial Year ending 30th June 2023 which outlines the company's financial and operational performance. The company struggled in performance while providing high quality water to the people in its jurisdiction.

### **Shareholding**

The company is 100% owned by the Tana River County Government.

### **Board of Directors**

TAWASCO board is made up of 5 boards of directors, 2 from the county government and 3 distributed among the sub counties of Tana River making a total of 5 and the Managing Director. The Managing Director serves as the secretary of the board.

### **Overview on Performance**

The company has continued to expand the services in an effort to reach more customers in our coverage. During this year, Tana Water and Sanitation Company (TAWASCO) was successful in the Water Sector Trust Fund's SWASAP Proposals. The company is implementing projects in Golbanti, Oda, Tarasaa, Wenje and Vukoni. The project will see an addition of 12.5Km of pipeline, 3 steel elevated tanks and 3 boreholes.

In the year, we held various board meetings which met the threshold of the required minimum of quarterly meetings. We played our oversight and policy making roles. Therefore, I stand here to tell you that the business of the company was executed with due diligent and always ensuring the interests of the shareholder, which are also the interests of the community are taken into consideration.

### **Water Coverage**

During the year, the company continued to work closely with Coast Water Works Development Agency to provide water and sanitation services to the residents of Tana River County and its environs. It is our hope that with the availability of resources, the company will continue to grow and adopt new areas in the next Service Provision Agreement.

### **National Recognition**

The company was ranked no. 73 in the WASREB Performance Impact Report of Kenya's Water Sector release for the year June 30<sup>TH</sup> 2023. The company also conducted a public participation on Water Tariff awaiting approval from WASREB.

### **Appreciation**

We continue to enjoy incredible support and goodwill from diverse stakeholders, development partners and customers. I would like to appreciate and most sincerely thank my fellow directors for their selfless services. I also wish to note with appreciation the support extended to us by the County Government of Tana River, Water Sector Trust Fund, Water Services Regulatory Board, Coast Water Works Development Agency and local NGOs. We greatly value and appreciate this support and trust that we can continue to count on it in the future. We look forward with the conviction that TAWASCO will remain not just a place but a good place to be.

Sincerely.



**For: Mr Said Omara Waldea**  
**Chairman Board of Directors**

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

I am delighted to present the report showing the performance of the company for the year 2022/23.

### **1. Water Supply Coverage**

During the year, the company produced 1,837,389 cubic meters of water. The company billed for 650,881 with a 65% unaccounted for water, a performance that is poor compared to the global benchmark of non-revenue water of 25%.

The company's water production averages 5,034 cubic meter per day against a capacity of 14,210 cubic meters per day, a capacity utilization of about 35%. The reserve capacity is not met because of some of the systems like Hola Water Supply having under-capacity pumps. In Bura Water Supply, there is limited supply of raw water from the source that is controlled by National Irrigation Authority.

### **2. Financial Results for the Year 2022/23**

The following is a summary of the key highlights of the financial statements.

#### **a) Turnover**

The company's sales turnover during the year 2022-23 was KShs. 27,758,702 against KShs. 23,986,693 for the year 2021-22. This is about 17% increase. The increase was as a result of the new added new customers in the FY 2022-23. The increase in revenue is also as a result of an internal growth within the service area provision. The management has applied for Proposals at County Government, Water Sector Trust Fund and the Coast Water Works Development Agency to upgrade water infrastructure and digitise the water billing system as a way to improve revenue.

#### **b) Expenses**

The operating expenses during the year under review was KShs. 50,397,179 against KShs. 46,188,784 reported in the year 2021-22. The increase was as a result of the rising inflation experienced in the country.

#### **c) Profits**

The company made a Profit of KShs. 24,593,346 before and after tax compared to a loss of KShs. 7,797,091 after taxation made in the year 2021-22. The company attract funding from donors leading to rise of grants income. The grants were not fully expended as at the end of the year thus turning around the performance of the company from loss to profit,

### **3. Challenges**

#### **3.1 Revenue Collection**

The revenue growth rate is slow because of manual systems of water billing, old dilapidated conveyance systems, low metering ratio (currently 42% in WASREB ratings), and under-capacity pumps.

#### **3.2 Water Supply**

Inadequate funds to implement various pipeline extensions to serve the areas not served. TAWASCO's maximum water production is limited to 5670 m<sup>3</sup>/day. At times production is hitting 2900 m<sup>3</sup>/day and area of supply continues to grow without corresponding measures being put to ensure continued sufficiency of water.

#### **4.0 Way Forward**

The future of the company seems excellent assuming that the operating environment is improved. The company could grow to provide clean and safe water to all the major towns in the county. The key areas to focus on include;

- Capacity building
- Improving water supply reliability
- Digitise the water billing system

Thank you.



**William Jillo,**  
**Ag. Managing Director**  
**TAWASCO**

**Tana Water and Sanitation Company Ltd**

**Annual Report and Financial Statements for the year ended June 30, 2023**

**7. Statement of Performance Against Predetermined Objectives for FY 2022/23**

<b>Strategic Pillar</b>	<b>Objective</b>	<b>KPI</b>	<b>Activities</b>	<b>Achievements</b>
Water infrastructure	To increase water coverage from 32% in 2021/22 to 45% in 2022/23	<ol style="list-style-type: none"> <li>1. Feasibility study report conducted</li> <li>2. Completion reports.</li> <li>3. Amounts of funds secured</li> </ol>	Feasibility study report conducted.	<ol style="list-style-type: none"> <li>1. Completion of survey &amp; designs</li> <li>2. Construction of pipelines and elevated tanks</li> </ol>
Increase the hours of supply from 12 to 15 hours per day.	Increase hours of supply from 15hrs in 2021/22 to 18hrs in 2022/23	<ol style="list-style-type: none"> <li>1. Number of hours of pumping</li> </ol>	<ol style="list-style-type: none"> <li>i. Increase the water sources</li> </ol>	Number of boreholes drilled to completion
Ensure drinking water quality compliance with residual chlorine	Increase residual chlorine from 30% in 2021/22 to 70% in 2022/23	<ol style="list-style-type: none"> <li>1. Number of bacteriological analysis reports.</li> </ol>	<ol style="list-style-type: none"> <li>i. Procure water quality assessment kits</li> <li>ii. Construction of water quality lab</li> </ol>	<ol style="list-style-type: none"> <li>1. Reports generated.</li> <li>2. Completion report</li> </ol>
Non-Revenue Water (NRW)	To reduce non-Revenue water from 70% in 2021/22 to 55% in 2022/23	<ol style="list-style-type: none"> <li>1. Rehabilitated pipeline</li> <li>2. Number of consumer meters &amp; bulk meters installed</li> </ol>	<ol style="list-style-type: none"> <li>i. Rehabilitation of pipelines</li> <li>ii. Meter replacement</li> <li>iii. Number of bulk meters installed</li> </ol>	<ol style="list-style-type: none"> <li>1. Completion of rehabilitation works</li> <li>2. Survey of unmetered malfunctioning meters</li> </ol>
Customer Service	Increase customer satisfaction from 50% in 2021/22 to 65% in 2022/23	<ol style="list-style-type: none"> <li>1. Prompt handling of customer issues</li> </ol>	<ol style="list-style-type: none"> <li>1. Enhance customer relationship management</li> </ol>	<ol style="list-style-type: none"> <li>1. Training staff on customer service management</li> <li>2. Commenced implementation of staff on call a 24hr basis</li> </ol>
Establish automation of a Water Billing System	Install a water billing system in 2022/23 from a manual system in 2021/22		<ol style="list-style-type: none"> <li>i. Procure a water billing system</li> </ol>	<ol style="list-style-type: none"> <li>1. Completion of installation of water billing</li> </ol>



**Tana Water and Sanitation Company Ltd**

**Annual Report and Financial Statements for the year ended June 30, 2023**

				system
Revenue Collection Efficiency	Increase revenue collection efficiency from 65% in 2021/22 to 85% in 2022/23	1. Number of bills distributed	1. install a water billing system	Completion report of a billing system
Human Resource Management	To attain and attract skilled and productive staff	<ol style="list-style-type: none"> <li>1. Approved organizational structure in place</li> <li>2. Projected staff requirements</li> <li>3. No. of staff trained</li> <li>4. Appraisal reports</li> </ol>	<ol style="list-style-type: none"> <li>1. Staff capacity building</li> <li>2. Enhance innovation and knowledge</li> </ol>	1. Capacity building and training of staff

## **8. Corporate Governance Statement**

The role of the Board of Directors is to determine the Company's policy and strategy, to monitor the attainment of company objectives and ensure that the company meets its obligations to its customers, stakeholders and shareholders. The Board is also responsible for overseeing the company's internal control systems designed to safeguard the company's assets and to ensure the reliability of the financial information provided by the company. The Board has 3 committees namely:

- (a) Finance and Administration Committee
- (b) Audit Committee.
- (c) Human Resource Committee

### **Finance Planning and Administration Committee**

The Finance and Administration Committees' main duties are to ensure that Company's budget is prepared, approved and enforced, that there is harmony within the organization. The Committee is responsible for reviewing and setting medium- and long-term strategic directions and financial prudence. The Committee includes all aspects of projects planning.

### **Audit and Risk Committee**

The main duty of the Internal Audit Committee is to ensure that the systems of internal controls are effectively administered. The committee defines the responsibilities of the Internal Auditors and to review and recommend to the Board the approval of interim financial results and annual financial statements. The Internal Audit is a department operating independently of other departments and sections of the Company.

### **Human Resource Committee**

The main duty of the Human Resource Committee is to clearly define the Company's organizational structure within which individual responsibilities are defined in relation to the Company's mandate. The structure will be complemented by documented policies. The Committee deals with appointments, dismissal, conflicts, dispute, promotion and demotion. During the year under review the board of directors held an Annual General Meeting where there was retirement of directors and reappointment of new directors to hold office for a period of three years. The directors hold meetings in accordance to the board charter which requires review in every quarter of the financial year. The new board of directors were taken through an induction process and later signed code of ethics before taking up their roles as directors.

**9. Management Discussion and Analysis**

The development of TAWASCO resulted from 4 critical elements that go alongside its vision, mission and core values. They are anchored in the reviewed Strategic Plan 2021-2026. The critical elements are:

1. Operational and financial performance
2. Investment levels

**Operation and Financial Performance**

**1) Number of Consumer Accounts Billed**

The number of consumer accounts continued to increase steadily largely attributable to the new pipelines provided by the minor works improvement.

**2) Water Production and Billing Efficiency**

There was an increase in water production and sales in the financial year under review compared to the previous year. The non-revenue water loss reduced compared to the last financial year as a result of concerted efforts by the management.

Water Production, Billed and Billing Efficiency

Month/Period	Water Production	Water Sales	Billing Efficiency	Unaccounted for Water (UfW)
	m <sup>3</sup>	m <sup>3</sup>	%	%
Total 2022/23	1,837,389	650,881	30%	70%

**3. Revenue and Collection Efficiency**

There was an increase in total billing and collection efficiency in the current financial year compared to last year. The management has formed a non-revenue water unit and is expected to improve the efficiency even more from the arrears. The collection efficiency is at 65%.

## **10. Environmental and Sustainability Reporting**

### **Sustainability strategy and profile -**

#### **Service Provision Agreement**

The Company operates under a Service Provision Agreement with the Coast Water Works Development Agency which is approved by the regulator. The renewal process for the service provision agreement for the period July 2019 to June 2024 is underway and is expected to be completed in the first quarter of the 2023/24 financial year.

#### **Tariff Regime**

The Company has conducted a public participation for a tariff review and is awaiting approval by WASREB

#### **Environmental performance**

TAWASCO is mandated to ensure efficient availability, continuity and quality of water and sanitation services for its customers. To better fulfil its mandate, TAWASCO vision, mission and core values have been aligned with a focus on building partnerships, valuing its customers, spur business growth as well as promoting environmental conservation to better support the Kenya's Vision 2030 that envisages a high quality of life. TAWASCO has noble initiatives towards addressing the impact of Climate Change while striving to achieve international corporate standards that will allow it to operate in ways that meet minimum fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption. As part of the Governor's Greening Initiative, therefore, TAWASCO is supporting the Hola Municipality in the provision of water to grow trees beside the town roads. The company is also working with Kenya Forestry to create a green zone at the TAWASCO headquarters.

#### **Employee welfare**

The Company contributes towards NSSF and NHIF for its staff.

#### **Market place practices-**

The company complies with the Public Procurement and Disposal Act and also has a website that has information for customer grievances and resolution.

#### **Corporate Social Responsibility / Community Engagements**

The company has been keen to provide water and sanitation services to the pro-poor residents of Tana North Sub- County in the Adele region. In response to this, TAWASCO has established a pro-poor unit tasked with the responsibility of developing appropriate strategies for effective services delivery to the poor.

**11. Report of the Directors**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the company's affairs.

**i) Principal activities**

The principal activities of Tana water and sanitation Company limited are to provide adequate and reliable water and sanitation services to the residents of Tana River County.

**ii) Results**

The results of the company for the year ended June 30, 2023 are set out on page 1 Below is summary of the profit or loss made during the year.

**iii) Dividends**

The company has not declared dividends for the year ended 30<sup>th</sup> June 2023 due to low incomes, and high cost incurred in the financial year under review

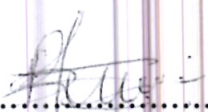
**iv) Directors**

The members of the Board of Directors who served during the year are shown on page iii & iv In accordance with Regulation ... of the company's Articles of Association.

**v) Auditors**

The Auditor General is responsible for the statutory audit of the Tana Water and Sanitation Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended June 30, 2023.

By Order of the Board



.....  
**Name: Sango Maewa**  
**Company Secretary/Secretary to the Board**  
**Date: 4<sup>th</sup> July 2023**

## **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 financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2023. 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; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the Company 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 Company's transactions during the financial year ended June 30, 2022, 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 financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern. 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**

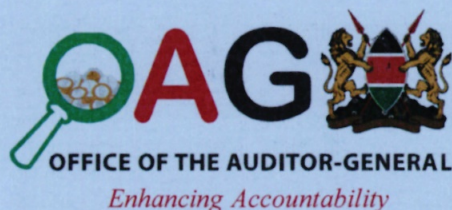
The company financial statements were approved by the Board on \_\_\_\_\_ 4<sup>th</sup> JULY \_\_\_\_\_ 2023 and signed on its behalf by:

.....  
**For: Mr Omara Said Waldea**  
**Chairperson of the Board**

.....  
**William Jillo Soye**  
**Managing Director**

# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## REPORT OF THE AUDITOR-GENERAL ON TANA WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

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### PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

### REPORT ON THE FINANCIAL STATEMENTS

#### **Adverse Opinion**

I have audited the accompanying financial statements of Tana Water and Sanitation Company Limited set out on pages 1 to 39, which comprise the statement of financial position as at 30 June, 2023 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

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*Report of the Auditor-General on Tana Water and Sanitation Company Limited for the year ended 30 June, 2023*



provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Tana Water and Sanitation Company Limited as at 30 June, 2023, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting (IFRS) and comply with the Companies Act, 2015.

## **Basis for Adverse Opinion**

### **1. Inaccuracies of the Financial Statements**

Review of the statement of profit or loss and other comprehensive income and Note 8 to the financial statements reflects expenditure in respect of staff cost totalling Kshs.10,456,600 while the supporting schedule reflect expenditure totalling Kshs.9,650,004 resulting to unexplained variance of Kshs.806,596. Further, review of the statement of financial position revealed unexplained variances on comparative figures as detailed in the table below:

<b>Item</b>	<b>Opening Balance (Kshs.)</b>	<b>Audited Financial Statements (2021/2022) (Kshs.)</b>	<b>Variance (Kshs.)</b>
Property, Plant and Equipment	2,853,674	22,486,711	19,633,037
Retained Earnings	936,318	3,808,019	(4,744,337)
Capital/Development Fund Reserve	0	62,441,881	62,441,881
Capital and Reserves	4,063,682	63,633,832	(59,570,150)
Refundable Deposit and Prepayments	44,467,874	4,033,960	40,433,914
Total Current Liabilities	53,630,625	10,821,781	(42,808,844)
Total Equity and Liabilities	54,822,576	74,455,613	(19,633,037)

In addition, the statement of changes in equity reflects total opening balance of Kshs.9,063,682 while the balance as per the audited financial statements for year 2021-2022 is Kshs.63,633,832 resulting to an unexplained variance of Kshs.(57,570,150). In addition, the statement reflects total closing balance of Kshs.33,133,80 instead of the recomputed amount of Kshs.87,703,952. The closing date has also not been properly disclosed.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

## **2. Unsupported General and Operations Expenses**

The statement of profit or loss and other comprehensive income and as disclosed in Note 9 to the financial statements reflects expenditure in respect of general and operations expenses totalling to Kshs.32,112,123. The following observations were made:

- a) The supporting documents for expenditure totalling Kshs.7,895,222 on Madogo UPC 8th call, chemicals and SWASAP water fund were not provided.
- b) The expenditure amounting to Kshs.1,369,818 on domestic travelling and subsistence include expenditure of Kshs.890,400 which was not supported with payment records, attendance register, work tickets, imprest warrants and back to office reports.
- c) The expenditure include Kshs.823,140 in respect of bulk water costs paid to a local company for repairs and maintenance of motor vehicles which was not supported with post-inspection certificates and inspection and acceptance reports.
- d) Expenditure totalling Kshs.133,400 in respect of staff training and development was not supported with a staff training needs assessment, training plans and reports, criteria of selection and invitation of the participants, the training programmes and signed class attendance sheets of participants.

In the circumstances, the accuracy and completeness of general and operations expenses totalling Kshs.32,112,123 could not be confirmed.

## **3. Unsupported Maintenance Expenses**

The statements of profit or loss and other comprehensive income and as disclosed in Note 11 to financial statements reflects expenditure totalling Kshs.7,195,304 in respect of maintenance expenses. Included in the expenditure is Kshs.3,045,949 that was incurred on procurement of water meters. However, the counter receipt voucher (S13) and stores ledger (S3) were not provided. Further, the expenditure was not supported by inspection and acceptance committee reports.

In the circumstances, the accuracy and completeness of expenditure totalling Kshs.7,195,304 incurred on maintenance expenses could not be confirmed.

## **4. Unsupported Trade and Other Receivables Balance**

The statement of financial position and as disclosed in Note 17 to the financial statements reflects trade and other receivables balance of Kshs.60,752,157. However, Management did not provide for audit review an updated debtor's ledger with proper age analysis. In addition, demand notes were not issued to customers with long outstanding water bills while provision for bad and doubtful debts was not made by Management as there was no policy on bad and doubtful debts.

In the circumstances, the accuracy and recoverability of the trade and other receivables balance of Kshs.60,752,157 could not be confirmed.

## **5. Unsupported Bank and Cash Balance**

The statement of financial position reflects bank and cash balance of Kshs.23,339,032. The company operated six (6) bank accounts during the year under review. However, the bank statements, cash books, bank reconciliation statements and certificate of bank balances were not provided for three (3) bank accounts while the cash book balance in the bank reconciliation statements for the main account for Hola is Kshs.220,181. However, the cash book bank balance is Kshs.256,317 resulting to unexplained variance of Kshs.36,136. Further, Board of Survey reports were not provided.

In the circumstances, the accuracy and completeness of bank and cash balances of Kshs.23,334,032 could not be confirmed.

## **6. Failure to Disclose Inventory Balance**

The statement of financial position reflects total current assets of Kshs.84,091,189 which does not include disclosure of inventory balance. However, audit inspection of Hola station on 31 January, 2024 revealed that there is a central store where items of Alum and Chlorine are stored where the bin cards at the Hola Pumping station revealed existence of forty-one (41) buckets of 50 kg of Chlorine and two hundred and twenty-eight (228) bags of Alum as at the close of the year in 30 June, 2023. Inventory of water was not recorded.

In the circumstances, the accuracy and completeness of the total current assets balance of Kshs.84,091,189 could not be confirmed.

## **7. Unsupported Refundable Deposits and Prepayments Balance**

The statement of financial position and as disclosed in Note 25 to the financial statements reflects refundable deposits and prepayments balance of Kshs.45,644,420. Included in this balance is Kshs.45,267,874 in respect of customer deposits. However, the certificate of bank balance in support of this balance was not provided. Further, the balance includes a retention/contract deposits balance of Kshs.376,546 whose supporting schedule was not provided.

In the circumstances, the accuracy and existence of the refundable deposits and prepayments balance of Kshs.45,644,420 could not be confirmed.

## **8. Unsupported Trade and Other Payables Balance**

The statement of financial position and as disclosed in Note 24 to the financial statements reflects trade and other payables balance of Kshs.7,487,082. However, pending creditor documents including payment vouchers, invoices, local service orders/local purchase orders (LSO/LPO), creditor statements and aging analysis for the payables was not provided. In addition, the payables exclude payables balance of Kshs.3,024,000 owed to Coast Water Works Development Agency.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.7,487,082 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Tana Water and Sanitation Co Ltd Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

### **Emphasis of Matter**

The statement of comparison of budget and actual amounts reflects actual revenue of Kshs.48,803,200 against final budget of Kshs.81,350,000 resulting to an under collection of Kshs.32,546,800 which translates to 40% of the budget. Similarly, the Company expended Kshs.51,072,405 against an approved budget of Kshs.79,554,600, resulting in an under-expenditure of Kshs.28,482,195 or 36% of the budget. The underfunding of approved budget and under expenditure affects the planned activities and may have negatively impacted 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 judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Adverse Opinion section, I have determined that there were no key audit matters report in the year under review.

### **Other Matter**

#### **Unresolved Prior Year Matters**

Various prior year audit issues remained unresolved as at 30 June, 2023. Although Management has indicated that some issues have been resolved while resolution of others is ongoing, no evidence or explanation was provided to support that assertion.

In the circumstances, the issues remained unresolved.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on

the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1. Lack of Approved Budget**

The statement of comparison of budget and actual amounts reflects total revenue and recurrent expenditure budget of Kshs.81,350,000 and Kshs.51,072,405 respectively. However, management did not provide evidence of approval of the budget by the County Executive Member for Finance and the County Assembly as required by Section 149(2)(j) of the Public Finance Management Act, 2012, which provides that an accounting officer shall, in respect of the entity concerned submit the estimates of an entity, which is a county corporation, to the Executive Committee member responsible for the entity who, after approving it, shall forward it to the County Executive Committee Member for Finance.

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

### **2. Appointments in Acting Capacity**

Review of the staff personal files revealed that five (5) staff members were appointed on acting positions and had served for more than six months. Four out of the five staff members were not issued with the appropriate letters of offer of appointment. It was further noted that there have not been advertisements to fill the vacant positions. This is contrary to Part B.7 of PSC Human Resource Policies, May, 2016 states that before taking up duty, a person appointed to any office will be issued with the appropriate letter of offer of appointment and Par. 6.2 (vi) of the WASREB Human Resource Policies and Procedures manual, 2019 states that the acting allowance will not be payable to an employee for a period of more than six (6) months unless in special circumstances and upon approval by the MD/BoD as appropriate.

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

### **3. Un-Remitted Statutory Deductions**

Note 24 to the financial statement reflects trade and other payables balance of Kshs.7,487,082. Included in the balance is Kshs.1,351,461 relating to unremitted statutory deductions to NSSF employer and NHIF.

This is contrary to Section 27(1) of the NSSF Act, 2013 which states that if any contribution for which a contributing employer is required to pay to the Fund is not paid within one month after the end of the month in which the last day of the contribution period to which it falls, a sum equal to five per cent of the amount of that contribution shall be added to the contribution for each month or part of a month that the amount due remains unpaid, and any such additional amount shall be recoverable at the same time and in the same manner as the contribution to which it is added. Further, Section 37(1) of the Income Tax Act requires an employer paying emoluments to an employee to deduct therefrom, and account for tax thereon, to such extent and in such manner as may be prescribed.

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

#### **4. Non-Compliance with Prescription on Board and the Chief Executive Officer to Terms of Service and Entitlements**

Review of Board files, minutes and other Board records revealed that during the period under review, the Company was governed by two Boards at different times. However, letters of appointment to serve in Board for three (3) current members, the Board workplan, Board performance evaluation report, evidence of composition of Board committees, Board charter, Board calendar have not been provided. In addition, the Board held only two (2) meetings in the financial year.

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

#### **5. Non-Revenue Water**

Review of records revealed that the Company produced a total of 1,837,389 cubic meters of water. However, only 650,881 cubic meters of water was billed to customers. The balance of 1,186,508 cubic meters or 65% of the total volume of water produced was not billed accounting for 40 percentage points over and above the allowable 25% by Water Service Regulatory Board Guidelines. The 1,186,508 cubic meter of Non-Revenue Water may have resulted into a loss estimated at Kshs.41,527,780 using the companies average selling price of Kshs.35 Per cubic meter. In addition, only two (2) production sources had master meters while the other three (3) production sources do not have master meters.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires 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 are in compliance, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

## **Basis for Conclusion**

### **1. Lack of Audit Committee and Functional Internal Audit**

The Company operated without an Audit Committee and an audit department as required by Section 155 (1a) and 155(5) of the Public Finance Management Act, 2012 to support the accounting officers with regard to their responsibilities for issues of risk control, governance and associated assurance.

In the circumstances, it was not possible to confirm existence of effective governance structure in the Company.

### **2. Lack of Risk Management Policy**

The Company did not have a risk management policy, strategies, and risk register to mitigate against risk. It was, therefore not clear how Management mitigated the risk exposures.

In the circumstances, the existence of strong and effective risk management strategies could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, 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**

As required by Companies Act, 2015, Because of the significance of the matters under the Basis for Adverse Opinion section of my report, 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. in my opinion, adequate accounting records have not been kept by the , so far as appears from the examination of those records; and,
- iii. The financial statements are not in agreement with the accounting records and returns.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how 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**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 and weakness 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 addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in



which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the water Company ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

29 April, 2024

**Tana Water and Sanitation Company Ltd.**

**Annual Report and Financial Statements for the year ended June 30, 2023**

**14. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2023.**

	Note	2022/23 Kshs	2021/22 Kshs
<b>Revenue</b>			
Operating Revenue	6	27,758,702	23,986,693
Grants Income	7	21,044,504	14,405,000
<b>Total Revenue</b>		<b>48,803,206</b>	<b>38,391,693</b>
<b>Expenses</b>			
Staff Costs	8	10,456,600	9,150,309
General and Operations expenses	9	32,112,123	28,871,298
Board Expenses	10	371,200	117,600
Maintenance Expenses	11	7,195,304	6,534,194
Depreciation and Amortization expenses	12	785,178	1,515,383
<b>Total Expenses</b>		<b>50,920,405</b>	<b>46,188,784</b>
<b>Profit/(Loss) Before Taxation</b>		<b>(2,117,199)</b>	<b>(7,797,091)</b>
<b>Income Tax Expense/(Credit)</b>	13	<b>0</b>	<b>-</b>
<b>Profit/(Loss) After Taxation</b>		<b>(2,117,199)</b>	<b>(7,797,091)</b>
<b>Total Comprehensive Income for The Year</b>		<b>(2,117,199)</b>	<b>(7,797,091)</b>

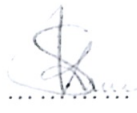
**Tana Water and Sanitation Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2023**


**15. Statement of Financial Position as at 30 June 2023**

	Note	2022/2023	2021/2022
		Kshs	Kshs
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	2,780,227	2,853,674
<b>Total non-current assets</b>		<b>2,780,227</b>	<b>2,853,674</b>
<b>Current assets</b>			
Trade and receivable	17	60,752,157	51,484,791
Bank and cash balances	18	23,339,032	484,111
<b>Total non-current assets</b>		<b>84,091,189</b>	<b>51,968,902</b>
<b>Total Assets</b>		<b>86,871,416</b>	<b>54,822,576</b>
<b>Equity and liabilities</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	19	5,000,000	5,000,000
Retained earnings		1,946,484	(936,318.00)
Capital/Development fund reserve		26,187,319	
<b>Capital and Reserves</b>		<b>33,133,803</b>	<b>4,063,682</b>
<b>Current liabilities</b>			
Trade and other payables	24	7,487,082	6,181,710
Refundable deposits and Prepayments	25	45,644,420	44,467,874
Taxation	26	606,111	606,111
<b>Total current liabilities</b>		<b>53,737,613</b>	<b>53,630,625</b>
<b>Total equity and liabilities</b>		<b>86,871,416</b>	<b>54,822,576</b>

The financial statements were approved by the Board on 4<sup>TH</sup> JULY 2023 and signed on its behalf by:

  
 William Jillo Soye  
 Managing Director

  
 Sakina Yusuf  
 Head of Finance

  
 For: Mr Omara Said Waldea  
 Chairman of the Board

ICPAK M/No: 24428...

## 16. Statement of Changes in Equity for the Year Ended 30 June 2023

	Notes	Ordinary share capital	Revaluatio n reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Developme nt Fund	Total
As at July 1, 2022		5,000,000	-	-	4,063,682	-		9,063,682
New capital issued		0						0
Revaluation gain		-	0	-	-	-	-	0
Fair value adjustment on quoted investments		-	-	0	-	-	-	0
Profit for the year		-	-	-	(2,117,199)	-	-	(2,117,199)
Capital/Development grants received during the year		-	-	-	-	-	31,006,256	31,006,256
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	0	-	(4,818,937)	(4,818,937)
Dividends paid – prior year		-	-	-	-	0	0	0
Interim dividends paid – current year		-	-	-	-	0	-	0
Proposed final dividends		-	-	-	0	0	0	0
As at June 30, 20xx (Previous FY)		5,000,000	0	0	1,946,484	0	26,187,319	33,133,803

**Tana Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**17. Statement of Cash Flows for The Year Ended 30 June 2023**

	Note	2022/2023	2021/2022
		Kshs	Kshs
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Operating Receipts	6	27,758,702	23,986,693
Grants Income	7	21,044,504	14,405,000
<b>Total Receipts</b>		<b>48,803,206</b>	<b>38,391,693</b>
<b>Payments</b>			
Staff Costs	8	10,456,600	9,150,309
General And Operation Expenses	9	32,112,123	28,871,298
Board Expenses	10	371,200	117,600
Maintenance Expenses	11	7,195,304	6,534,194
<b>Total Payments</b>		<b>50,135,227</b>	<b>44,673,401</b>
<b>Net Cash From/ (Used In) Operating Activities</b>		<b>(1,332,021)</b>	<b>(4,798,598)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase Of Property, Plant And Equipment (PPE)	16	(152,001)	-
<b>Net Cash From/ (Used In) Investing Activities</b>		<b>(152,001)</b>	<b>-</b>
<b>Changes in working capital</b>			
(Increase)/decrease in inventories		31,124,390	
Increase and Decrease in receivables		(9,267,366)	1,552,684
Increase and Decrease in payables		2,481,918	2,800,267
<b>Net Cash outflow/inflow in working capital</b>		<b>22,854,920</b>	<b>(473,647)</b>
<b>Increase/(Decrease) In Cash and Cash Equivalents</b>		<b>22,854,920</b>	<b>(473,647)</b>
<b>Cash And Cash Equivalents At Beginning Of Year</b>		<b>484,111</b>	<b>957,758</b>
<b>Cash And Cash Equivalents At End of the Year</b>		<b>23,339,032</b>	<b>484,111</b>

Tana Water and Sanitation Company Ltd  
Annual Report and Financial Statements for the year ended June 30, 2023

18. Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	C=a+b	d	e= c-d	f=d/e %
	Kshs	Kshs	Kshs	Kshs	Kshs	%
<b>Revenue</b>						
Operating Revenue	31,350,000	-	31,350,000	27,758,702	3,591,298	89%
Grants	50,000,000	-	50,000,000	21,044,504	28,955,496	42%
<b>Total Revenue</b>	<b>81,350,000</b>	<b>-</b>	<b>81,350,000</b>	<b>48,803,206</b>	<b>32,546,794</b>	<b>60%</b>
<b>Expenses</b>						
Staff Costs	23,057,310	-	23,057,310	10,456,600	12,600,710	45%
Board Expenses	724,800	-	724,800	371,200	353,600	51%
General and operations Expenses	36,622,050	-	36,622,050	32,112,123	4,509,927	88%
Maintenance expense	14,830,005	-	14,830,005	7,195,304	7,634,701	49%
Other Operating Costs	2,320,435	-	2,320,435	785,178	1,535,257	34%
<b>Total Recurrent Expenditure</b>	<b>77,554,600</b>	<b>-</b>	<b>77,554,600</b>	<b>50,920,405</b>	<b>26,634,195</b>	<b>66%</b>
<b>Profit or Loss</b>	<b>3,795,400</b>	<b>-</b>	<b>3,795,400</b>	<b>(2,117,199)</b>	<b>5,912,599</b>	<b>-56%</b>
<b>Capital Expenditure</b>	<b>2,000,000</b>	<b>-</b>	<b>2,000,000</b>	<b>152,000</b>	<b>1,848,000</b>	<b>8%</b>
<b>Total Expenditure</b>	<b>79,554,600</b>	<b>-</b>	<b>79,554,600</b>	<b>51,072,405</b>	<b>28,482,195</b>	<b>64%</b>

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1. *The water company did no spend on capital grants because it did not raise enough revenue to meet this commitment*
2. *The chairman was not paid honoraria because the company did not collect enough revenue to meet this cost thus the variance in board expenses*
3. *Most of the expenses though budget were not incurred since the company did not collect enough revenue to meet its costs.*



**Tana Water and Sanitation Company Ltd**  
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**19. Notes to the Financial Statements**

**1. General Information**

Tana Water and Sanitation Company Ltd is established by and derives its authority and accountability from Water Act 2006. The Company is wholly owned by the County Government of Tana River and is domiciled in Kenya. The Company's principal activity is provision adequate and reliable water and sanitation services to resident of Tana River county.

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 judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in *Note xx*.

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, Water Act 2016 and the Company's Act , State Corporation Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented

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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 2023.*

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	<p>The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.</p> <p>The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.</p> <p>The Company does not issue insurance contracts, thus the adoption of IFRS 17 has had no effects on the financial statements)</p>	Effective for annual periods beginning on or after 1 <sup>st</sup> January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	<p>The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of ‘accounting estimates’ and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.</p> <p>The amendment does not affect the financial statement in any way.</p>	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	<p>The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their <b>material</b> accounting policy information rather than their <b>significant</b> accounting policies.</p> <p>The company has effected the change to the accounting policies</p>	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	<p>The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.</p>	The amendments are effective for annual periods beginning on or after January 1, 2023.

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

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

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

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

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

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

Notes to the financial statements (continued)

*iii. Early adoption of standards*

Tana water and sanitation company Ltd did not early – adopt any new or amended standards in year under review.

**4. Summary of Accounting Policies**

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

**a) Revenue recognition**

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

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

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

**Summary of Accounting Policies**

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

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

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

<b>Item</b>	<b>Years</b>	<b>Rates</b>
Buildings and civil works	40	2.5%
Plant and machinery	5	12.5%
Motor vehicles, including motor cycles	4	25%
Computers and related equipment	3	33.3%
Office equipment, furniture and fittings	8	12.5%

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

**e) Intangible assets**

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

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

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

**Summary of Accounting Policies**

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

Amortization is calculated on 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. Subsequent to 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 derecognized. ~~(00)~~

**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 lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

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

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds 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). (*Whichever is applicable*).

**j) Quoted investments**

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



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

**Summary of Accounting Policies**

**k) Unquoted investments**

Unquoted investments 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).

**l) 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.

**m) Trade and other receivables**

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing 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. A report on losses and write offs is disclosed on page xxx of this report.

Notes to the financial statements (continued)

Summary of Accounting Policies

n) **Taxation**

i) **Current income tax**

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

o) **Deferred tax**

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

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

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

**Summary of Accounting Policies**

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

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

**p) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period 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.

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

**Summary of Accounting Policies**

**q) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at 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.

**r) Borrowings**

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

**s) Trade and other payables**

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

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

**Summary of Accounting Policies**

**t) Retirement benefit obligations**

The Company operates a defined contribution scheme for all full-time employees from July 1, 2022. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 400 per employee per month.

**u) Provision for staff leave pay**

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

**v) Exchange rate differences**

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

**Summary of Accounting Policies**

**w) Budget information**

The original budget for FY 2022-2023 was approved by the Board of Directors on 23rd June 2022. 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 additional appropriations of 50,000,000 from County Government and Water Sector Trust Fund on the 2022-2023 budget following the governing body's approval. 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 section xxx of these financial statements.

Notes to the financial statements (continued)

Summary of Accounting Policies

x) **Service concession arrangements**

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

y) **Comparative figures**

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

z) **Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

**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.

*State all judgements, estimates and assumptions made e.g.*

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

**Summary of Accounting Policies**

**a) Estimates and assumptions**

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

**b) Useful lives and residual values**

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

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

**c) Provisions**

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

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.



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Notes to the financial statements (continues)

**6. Operating Revenue**

	2022/2023	2021/2022
	Kshs	Kshs
<b>Water sales</b>	<b>27,758,702</b>	<b>23,983,393</b>
Madogo water scheme	4,097,342	2,405,505
Hola water scheme	14,962,547	10,869,829
Garsen Water Scheme	4,281,394	3,937,342
Ngao Scheme	2,132,574	2,819,228
Bura Scheme	2,284,845	1,308,486
Bulk Water sales	-	2,537,000
<b>Billing for other services*</b>	<b>-</b>	<b>-</b>
Reconnection fees	-	101,500
Application fees	-	4,800
<b>Total</b>	<b>27,758,702</b>	<b>23,983,693</b>

*Billing for other services refers to income generated from services such as reconnection fees, sales of sludge, water analysis samples etc.*

**7. Grants Income**

	2022/2023	2021/2022
	Kshs	Kshs
Grants from Government entities - WSTF	410,498	-
Donations from County Governments	4,408,439	14,405,000
In Kind contribution/donations from other agencies	16,225,567	-
<b>Total</b>	<b>21,044,504</b>	<b>14,405,000</b>

*(Note: For capital/development grants the amount recognized in the statement of comprehensive income should be the depreciation/amortisation equivalents for assets that have been acquired using such capital/development grant as per IAS 20).*

*[Provide a detailed analysis of grants received from the Government in the table below:]*

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2022/2023 FY KShs
County Government of Tana River	4,408,439	-	20,391,561	24,800,000	24,800,000

**Tana Water and Sanitation Company Ltd**  
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for SWASAP/8 <sup>TH</sup> Call					
Operational grants from Government entities - WSTF	410,498	-	5,795,758	6,206,256	6,206,256
In Kind contributions payment of Electricity bill by Tana River County Government	16,225,567				16,225,567
<b>Total</b>	<b>21,044,504</b>	<b>-</b>	<b>26,187,319</b>	<b>31,006,256</b>	<b>47,231,823</b>

**Tana Water and Sanitation Company Ltd**  
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**Notes to the financial statements (continued)**

**8. Staff Costs**

Description	2022/2023	2021/2022
	Kshs	Kshs
Top up Allowances	900,550	467,209
Casual workers' Wages	8,718,000	8,053,200
Medical insurance schemes	362,550	629,900
Employer's contributions to social security schemes	246,000	-
Other allowances	229,500	-
<b>Total</b>	<b>10,456,600</b>	<b>9,150,309</b>
<b>The average number of employees during the year</b>	<b>54</b>	<b>63</b>

*[Provide short appropriate explanations as necessary]*

**Tana Water and Sanitation Company Ltd**  
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**9. General and Operations Expenses**

	<i>2022/2023</i>	<i>2021/2022</i>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Chemicals	3,076,285	829,176
Electricity	19,304,885	19,100,016
Fuel, oil, lubricants, and gases	670,420	1,814,900
Bulk water Costs	861,640	1,489,687
Office supplies	337,960	152,050
Telecommunication	-	85,700
Rent and Rates	70,000	200,000
Hire of Equipment and vehicles	417,500	41,000
Domestic Traveling and subsistence	1,369,818	2,391,960
Staff training and development	133,400	257,500
Bank Charges	198,898	404,043
Publicity and advertising	215,000	689,350
Borehole Expenses	3,500	388,800
Consultancy fees	-	87,000
Licensing and levies	181,856	542,216
Hospitality expenses	242,570	347,900
Research and Development	-	50,000
Electrical Repairs	192,904	-
Legal fees	16,550	-
SWASAP Water Fund	410,498	
Madogo UPC 8TH Call	4,408,439	
<b>Total</b>	<b>32,112,123</b>	<b>28,871,298</b>

**10. Board Expenses**

	<i>2022/2023</i>	<i>2021/2022</i>
<b>Description</b>	<b>KShs</b>	<b>KShs</b>
Sitting allowances	220,000	50,400
Travel and accommodation	151,200	67,200
<b>Total Board Expenses</b>	<b>371,200</b>	<b>117,600</b>

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Notes to the financial statements (continued)

**11. Maintenance Expenses**

	2022/2023	2021/2022
Description	Kshs	Kshs
Plant and Equipment	2,366,035	2,292,554
Buildings	30,000	118,800
Infrastructural networks	3,156,661	3,955,640
Motor vehicles	153,530	-
Motor Cycles	46,100	-
Software maintenance	126,500	30,000
Office maintenance	-	45,000
Water Meter maintenance costs	1,315,678	-
Computers	-	92,200
<b>Total Maintenance Expenses</b>	<b>7,195,304</b>	<b>6,534,194</b>

**12. Depreciation and Amortization Expenses**

Description	2022/2023	2021/2022
	KShs	KShs
Property, plant, and equipment	785,178	1,515,383
<b>Total Depreciation and Amortization</b>	<b>785,178</b>	<b>1,515,383</b>

**13. Income Tax Expense/(Credit)**

**Current taxation**

	2022/2023	2021/2022
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	0	606,111
Current tax: prior year under/(over) provision	0	-
<b>Total</b>	<b>0</b>	<b>606,111</b>

Notes to the financial statements (continued)

**14. Earnings Per Share**

The earnings per share is calculated by dividing the profit after tax of Kshs. 17,215,342:by the average number of ordinary shares in issue during the year ended June 30, 2023. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

**15. Dividend Per Share**

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). The directors do not recommend payment of dividends.

Notes to the financial statements (continued)

16. Property, Plant and Equipment

2022/2023 FY	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Total
<b>Cost Or Valuation</b>				
At July 1, 2022	3,026,980	134,700	1,100,001	4,261,681
Additions		152,001		152,001
<b>At June 30, 2023</b>	<b>3,026,980</b>	<b>286,701</b>	<b>1,100,001</b>	<b>4,413,681</b>
<b>Depreciation</b>				
At July 1, 2022	393,507	91,770	363,000	848,277
Depreciation charge For the Year	393,507	28,670	363,000	261,952
<b>At June 30, 2023</b>	<b>82,674</b>	<b>816,642</b>	<b>770,643</b>	<b>785,178</b>
<b>Net Book Value At June 30, 2023</b>	<b>2,239,966</b>	<b>166,261</b>	<b>374,000</b>	<b>2,780,227</b>

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Notes to the financial statements (continued)

**17. Trade and Other Receivables**

	<i>2022/2023</i>	<i>2021/2022</i>
	<b>KShs</b>	<b>KShs</b>
Trade receivables	60,752,157	51,484,791
<b>Net trade and other receivables</b>	<b>60,752,157</b>	<b>51,484,791</b>

**18. Bank and Cash Balances**

	<i>2022/2023</i>	<i>2021/2022</i>
	<b>Kshs</b>	<b>Kshs</b>
Cash at bank	23,339,302	484,111
	<b>23,339,032</b>	<b>484,111</b>

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

		<i>2022/2023</i>	<i>2021/2022</i>
<b>Financial institution</b>	<b>Account number</b>	<b>KShs</b>	<b>KShs</b>
<b>a) Current account</b>			
Commercial banks Main Ac Hola	1122965575	235,429	133,189
Commercial banks 8th Call	1296976459	3,037,550	146,343
Commercial banks SWASAP	1302173146	20,009,502	82,940
Commercial banks Ngao	1276688423	2,597	-
Commercial banks Madogo	1276671334	15,484	-
Commercial banks Garsen	1276625936	38,470	121,640
<b>Grand total</b>		<b>23,339,032</b>	<b>484,111</b>

**19. Ordinary Share Capital**

	<i>2022/2023</i>	<i>2021/2022</i>
	<b>Kshs</b>	<b>Kshs</b>
<b>Authorized:</b>		
5,000 ordinary shares of Kshs. 1,000 par value each	<b>5,000,000</b>	<b>5,000,000</b>
<b>Issued and fully paid:</b>		
5,000 ordinary shares of Kshs. 1,000 par value each	<b>5,000,000</b>	<b>5,000,000</b>



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

**20. 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.

**21. 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.

**22. Retained Earnings**

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

**23. Retirement Benefit Obligations**

**Retirement benefit Asset/ Liability**

The company does not have permanent employees thus does not operate a defined benefit scheme. It has seconded staff from the county government of Tana River and they have a scheme operated by the county government.

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 Kshs. per employee per month.

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Notes to the financial statements (continued)

24. Trade and Other Payables

	2022/2023	2021/2022
	Kshs	Kshs
Kel Chemicals	677,600	677,600
Raboja Enterprises	80,000	180,000
Ismael Jilo Algi	140,000	140,000
Dube Masha	360,000	240,000
Kenm Motors	-	248,000
Open arch	20,000	60,000
Saudi motor cycle	94,644	94,644
Employee payables	806,596	1,030,200
NSSF Employer	806,596	-
PAYE Top up wages	-	-
NHIF	544,865	-
KCB - 112295516 Current Account	-	1,260
KCB - 1240409346	-	1,260
KCB - 1240409176	-	1,260
Tax payable	-	-
KPLC	3,956,781	3,507,486
<b>Total</b>	<b>7,487,082</b>	<b>6,181,710</b>

25. Refundable Deposits and Prepayments

	2022/2023	2021/2022
	Kshs	Kshs
Customer deposits Bal B/f	44,467,874	44,467,874
Customer deposits	1,176,546	-
<b>Total</b>	<b>45,644,420</b>	<b>44,467,874</b>

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

**26. Taxation**

	<i>2022/2023</i>	<i>2021/2022</i>
	<b>Kshs</b>	<b>Kshs</b>
At beginning of the year	606,111	606,111
Income tax charge for the year	0	-
At end of the year	606,111	606,111

**27. Notes to The Statement of Cash Flows**

	<i>2022/2023</i>	<i>2021/2022</i>
	<b>Kshs</b>	<b>Kshs</b>
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations</b>		
Profit or loss before tax	(2,117,199)	(7,797,091)
Depreciation	785,178	1,515,383
Operating profit/(loss) before working capital changes	(1,332,021)	(6,281,708)
Working capital changes:		
(Increase)/decrease in inventories	31,124,390	
(Increase)/decrease in trade and other receivables	(9,267,366)	1,524,684
Increase/(decrease) in trade and other payables	2,481,918	2,800,267
Increase/(decrease) in retirement benefit obligations		
Increase/(decrease) in provision for staff leave pay		
<b>Cash generated from/ (used in) operation</b>	<b>23,006,921</b>	<b>(1,956,757)</b>

**Other Disclosures**

**28. Related Party Disclosures**

**County Government of Tana River**

The County Government of Tana River is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of Tana River 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 Tana River
- Water works Agencies

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- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors

**Transactions with related parties**

	<i>2022/2023</i>	<i>2021/2022</i>
	<b>Kshs</b>	<b>Kshs</b>
<b>a) Grants from the Government</b>		
Grants from National Govt Agencies	6,206,256	-
Grants from County Government	24,800,000	14,405,000
Donations in kind	16,225,567	-
<b>Total</b>	<b>47,231,823</b>	<b>14,405,000</b>
<b>b) Key management compensation</b>		
Directors' emoluments	371,200	117,600
<b>Total</b>	<b>371,200</b>	<b>117,600</b>

**29. Contingent Assets and Liabilities**

**Contingent Assets**

There were no contingent assets in the financial under review

**Contingent Liabilities**

In the opinion of the directors, no provision is required in these financial statements as the liabilities are not expected to crystallize.

**30. Financial Risk Management**

The Company's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on 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:

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

**(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 their assessment of the current economic environment.

***Credit Risk (Continued)***

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

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.

**(iii) Market risk**

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

Market risk is the risk arising from changes in market prices, such as interest rate, 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) Foreign currency risk**

The Company has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

**b) 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.

**31. Incorporation**

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

**32. Events After the Reporting Period**

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

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**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.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1	Anomalies in the presentation and disclosure of financial statements	Issue responded and the senate directed that were revise submit the financial for audit	Not resolved	60 days
2	Incorrect opening balances	Issue responded and the senate directed that were revise submit the financial for audit	Not resolved	60 days
3	Failure to submit trial balance	Issue responded and the senate directed that were revise submit the financial for audit	Not resolved	60 days
4	Non-Submission of Prior Years Financial statements	Issue responded and the senate directed that were revise submit the financial for audit	Not resolved	60 days
5	Lack of approved budget	Management to prepare the budget and have it approved by the board of directors	Resolved	-
6	Under collection of revenue	Management is in the process of installing billing	Ongoing	Ongoing

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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)
		system to improve revenue collection		
7	Excessive Non-Revenue water	Management is replacing old pipes with new ones to curb non-revenue water	Ongoing	Ongoing
8	Weak controls in Revenue collection	Installation of billing system to solve weak revenue collection	Ongoing	Ongoing
9	Unsupported staff costs	We have put in place master roll to record casual staffs	Ongoing	Ongoing
10	Unsupported general and operation expenses	Planning to automate the processes	Ongoing	Ongoing
11	Unsupported electricity expenses	The bill availed from KPLC	Resolved	Ongoing
12	Unsupported domestic travel and subsistence	Strengthening internal control	Ongoing	Ongoing
13	Unsupported expenditures on maintenance of plant and equipment	Issue responded and the senate directed that were revise submit the financial for audit	Not resolved	60 days
14	Unsupported trade and receivables	Issue responded and the senate directed that were revise submit the financial	Not resolved	60 days



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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)
		for audit		

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.
- (iii) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report.

Name : WILLIAM JILLO

Signature:



**Managing Director**

**Date: 4<sup>TH</sup> July 2023**

**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 required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

**Status of Projects completion**

*(Summarise the status of project completion at the end of the reporting period, i.e., total costs incurred, stage which the project is etc.)*

	Project	Total project Cost	Total expended to date	Completion %a to date	Budget	Actual	Sources of funds
1							
2							
3							

**Appendix III- Inter-Entity Confirmation Letter**

*[Insert your Letterhead]*

*[Insert name of beneficiary entity]*

*[Insert Address]*

The *[insert SC/SAGA/Fund name here]* wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June 20xx as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate column E in the table below. Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by <i>[Insert name of beneficiary entity]</i> as at 30 <sup>th</sup> June 20xx							
Reference Number	Date Disbursed	Amounts Disbursed by <i>[SC/SAGA/Fund]</i> (KShs) as at 30th June 20xx				Amount Received by <i>[beneficiary entity]</i> (KShs) as at 30 <sup>th</sup> June 20xx (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
<b>Total</b>							

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

**Head of Accountants department of beneficiary entity:**

Name ..... Sign ..... Date .....

**Appendix IV: Reporting of Climate Relevant Expenditures**

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

**Appendix V: Reporting Disaster Management Expenditure**

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 require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments