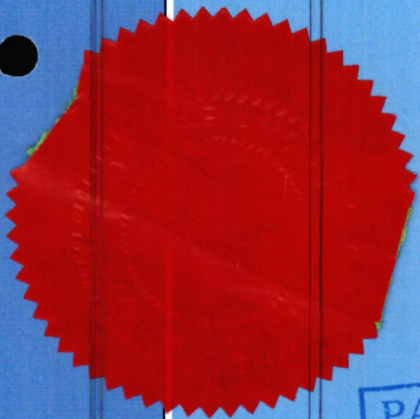


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REPORT

OF

THE AUDITOR-GENERAL

ON

**TANA WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2021**



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

;;

P.O. BOX 90-70101 HOLA

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

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2021.

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

TANA WATER AND SANITATION COMPANY LIMITED

Reports and Financial Statements

For the year ended June 30, 2021.

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TANA WATER AND SANITATION COMPANY LIMITED

Reports and Financial Statements

For the year ended June 30, 2021.

KEY ENTITY INFORMATION

Background information

Tana Water and Sanitation Company Limited was established under the company Act (Cap, 486) on 1st September, 2006.

Principal Activities

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

Registered Office

Tana Water and Sanitation Company Ltd
P.O. Box 29,
Hola, KENYA.

Corporate Headquarters

P.O. Box 29,
Hola, KENYA.

Corporate Contacts

The Ag. Managing Director
P.O. Box 90- 70101
Hola, Kenya.
Telephone: +254722477040
E-mail: tanawaterco@yahoo.com

TANA WATER AND SANITATION COMPANY LIMITED

Reports and Financial Statements

For the year ended June 30, 2021.

KEY ENTITY INFORMATION (Continued)

Corporate Bankers

1. Kenya commercial bank limited.
P.O. Box 100-70101
Hola, Kenya.

Independent Auditors

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

Principal Legal Advisers





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

TANA WATER AND SANITATION COMPANY LIMITED

Reports and Financial Statements

For the year ended June 30, 2021.





I. The Board of Directors

Ref	Directors	Details
1.	 Zeitun Ahmed Said Chairperson	Diploma in Early Childhood Development and Employed by Teacher's Service Commission (TSC).
2.	 Yulia Jillo Yesse Vice Chairperson	Degree In Development Studies. Mount Kenya University Kenya.
3.	 Roble Hussein Member	Diploma in Community Development Daystar University Kenya.
4.	 William Jillo Ag. Managing Director	BSc. Soil, Water & Environmental Engineering Registered Graduate Engineer, Engineers Board of Kenya, EBK- (B18737) Associate Expert NEMA (11753) Member of Institute of Engineers of Kenya (IEK) Member of the Environmental Institute of Kenya (EIK)



TANA WATER AND SANITATION COMPANY LIMITED

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5.	 Said Omara Waldea member	Bachelor of Education University of San Juan De La Cruz-Costa Rica
6.	 Ambari Jillo Member	Bachelor of Arts In Leadership And Management. ST. Pauls University Kenya.
7.	 Gladys Waithera Member	Diploma in mass Communication and Journalism. Consolata institute of Communication and Technology.
8.	 Omar Dhadho Moroa Member	Bachelor of Science Animal Production Diploma in Animal Science.

TANA WATER AND SANITATION COMPANY LIMITED
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9.	 Idris Kolombo Member	Diploma in Education Secondary Option
10.	 Enock Galgalo Member	Bachelor of Arts And Economics. Kenyatta University

TANA WATER AND SANITATION COMPANY LIMITED
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For the year ended June 30, 2021.

I. Management Team

NAME	MANAGEMENT & QUALIFICATION	DATE & EXPERIENCE
William Jillo Soye Appointed: Feb 2021	Designation: Ag. Managing Director Qualification: BSc. Soil, Water & Environmental Engineering Registered Graduate Engineer, Engineers Board of Kenya, EBK- (B18737) Member of Institute of Engineers of Kenya (IEK) Associate Expert NEMA (11753)	Date of Birth: 1991 Sunculture (K), Irrigation Engineer - 3 Yrs. Tana River County Department of Agric & Irrigation, County Irrigation Engineer – 2 Yrs. TAWASCO, MD – 1 Yr 7 Months
AbdiRahman Ismail	Designation: Ag. Finance Manager Qualification: Bachelor of Arts (Finance) CPA (Section 3)	National Irrigation Authority – 1 year Tana Water & Sanitation Company – 2 Years
Salim Juma Makorane	Designation: Ag. Technical & Services Manager Qualification: Certificate in Power Plant Mechanic Grade 1	Tana Water and Sanitation Company – 15 Years
Kimera Thuva	Designation: Commercial Manager Qualification: High Dip. Water Engineering Dip. Water Engineering	Tana River County Government Tana Water and Sanitation Company-1 year 4 months
Mariam Rago	Designation: Human Resource & Admin Qualification: Dip. Business Management (HR Option)	Tana River County Government- 5 Years
Mohammed Korane	Designation: Procurement Officer Qualification: BBM (Procurement & Supply Chain Management Option) Member KISM	Tana River County Government – 9 years

TANA WATER AND SANITATION COMPANY LIMITED
Reports and Financial Statements
For the year ended June 30, 2021.

CHAIRMAN'S STATEMENT

In reference to Board of Directors mandate, powers and roles of oversight and supervision in the management of the company as stipulated in Water Act 2016, we have managed to achieve the following:

a) Meetings

TAWASCO Board of Directors have been meeting quarterly to discuss best ways to improve water provision to the people of TANA RIVER COUNTY.

Through the meetings:

- We have approved TAWASCO budget 2019-2020
- We have organized to review TAWASCO 5 years' strategic plan.
- We have reviewed the status of the company's staff through seconding new staffs and engaging casuals

b) Empowerment

- We have organized trainings to all staff and the board members to boost water governance and maintenance.
- Familiarization with the Water Act 2016
- Together with the county assembly water committee, county water leadership and Tawasco management

c) Relationships

We have been practicing cordial relations with the County Governor, WSTF, WRMA, CWSB and WASREB to find ways of improving water services.

OUTCOME/RESULTS OF OUR OPERATIONS

- Revenue/tariff collection has improved.
- More staff and volunteer's recruitment has improved operations efficiency.
- Expansion of TAWASCO services to the KELOKELO AND GAFURU water project is set for implementation.
- Digitalization of revenue collection via Mpesa platform.

CHALLENGES

- Vandalism of water systems by individuals
- Frequent electricity/power failure affects water provision to a great extent.
- Lack of enough funding to recruit more staff in technical areas and also management.
- Water turbidity and adverse climatic change.
- Huge electricity bills.
- Lack of subsidies from the county government

As Board Members, we have requested the County Government to assist us with funding to cater for huge electricity bills and other costs incurred during operations as well as in the recruitment of new staff.

Awareness creation to consumers to make them well informed on existing TAWASCO infrastructure, challenges and way forward.

I take this opportunity again to thank the county Government of Tana River through his Excellency H. E Dr. Dhadho Gaddae Godhana and the County Department of Water, Energy, Environment and Natural resources, for their blossom maximum support in improving the water service provision to the Residents of Tana River County.

Sincerely.



.....
Zaitun Ahmed Said

Chairperson – TAWASCO

TANA WATER AND SANITATION COMPANY LIMITED

Reports and Financial Statements

For the year ended June 30, 2021.

REPORT OF THE MANAGING DIRECTOR

Tana water and Sanitation Company was established on 1st September 2006. It is publicly owned company incorporated under the company's act and was wholly owned by the defunct Tana River county council. Since the functions of the local authority were subsumed to the counties, the ownership of the company moves to the Tana county Government. Otherwise, it is an agent of coast water services Board to provide quality water and sanitation services within Tana River County.

The company operationalized in 2010. The management team was appointed from the staff within the county Government.

The Company is still faced with high water demand against the daily low water production from lack of improved water infrastructure. The water facility has remained undeveloped and therefore the company has been faced with many challenges of high level of Non-revenue water, aged infrastructure, low water production, which has affected the company's water services and revenue collection.

TAWASCO has not yet realised a full cost recovery of providing services to the customers in medium and long term and therefore the Regulator (Water Regulatory Services Board) through the approved tariff 2017- 2020. Gazette notice no 7538 stipulated strategies for ensuring that the Company operate on a commercially sustainable basis, and hence directed that Tana River County Government to provide TAWASCO with a subsidy. This if achieved will take TAWASCO to acceptable performance level, in water services and achieving coverage of operation and maintenance costs.

Under Water Services Trust Fund, TAWASCO has been funded to Establish two new water supply project at Kipao and Nanighi water project. The project is currently being implemented in this financial year 2019-2020.

During the year under review, Tana Water and Sanitation Company Ltd continued with the board of Directors that were appointed in February 2018 financial year. The term of these Board Members will expire on February 2021.

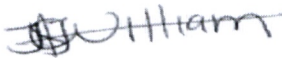
TANA WATER AND SANITATION COMPANY LIMITED
Reports and Financial Statements
For the year ended June 30, 2021.

Board members held quarterly meetings as required by the regulator and important decisions were made to enable the company prosper in its services of providing water to the residents of Tana River County.

The Company has deployed cashiers that were in revenue collection section to work in billing section as at the end of the year under review the company was supplied with a billing system from Coast Water Works Development Agency (CWWDA) which has not been installed and therefore, manual billing was still in use at the end of the financial reporting period.

TAWASCO, is still using the manual systems of billing which requires a lot of data cleaning is however required since excel and manual meter books were susceptible to alterations.

We have put in place measures to get correct debtor balances and enhance recovery of bad and doubtful debts.



William Jilo Soye

Ag. Managing Director

Date.....30/06/2021

TANA WATER AND SANITATION COMPANY LIMITED

Reports and Financial Statements

For the year ended June 30, 2021.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

TAWASCO provides internship and practical skills attachment opportunities for the local Youth in the universities and colleges to assist in promoting professional and experienced personnel in the community.

With continued loyalty and support, we are confident that 2018/2019 was another successful year of more improved social responsibility.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended December 31, 2019 which show the state of TAWASCO affairs.

Principal activities

The principal activities of TAWASCO is to provide adequate and reliable water and sanitation services to the residents of TANA RIVER COUNTY.

Results

The results of the TAWASCO for the year ended DECEMBER 31, 2019 are set out on page 13

Directors

The members of the Board of Directors who served during the year are shown on page 4-5.

Auditors

The Auditor General is responsible for the statutory Audit of Tana Water and Sanitation Company Ltd in accordance with Article 229 of the constitution of Kenya section 35 of the Public Audit Act, 2015.

TANA WATER AND SANITATION COMPANY LIMITED

Reports and Financial Statements

For the year ended June 30, 2021.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of that company, which gives a true and fair view of the state of affairs of the company at the end of the financial year and the operating results of the company for that year. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

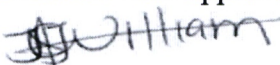
The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for the financial year ended on December 31, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of TAWASCO; (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 TAWASCO; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the TAWASCO financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of TAWASCO transactions during the financial year ended December 31, 2019, 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 TAWASCO financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that TAWASCO will not remain a going concern for at least the next twelve months from the date of this statement.

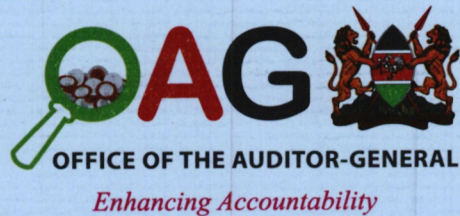
Approval of the financial statements

The TAWASCO financial statements were approved by the Managing Director on 30/6/2021



and signed on its behalf by: _____

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, 2021

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

Disclaimer of Opinion

I have audited the accompanying financial statements of Tana Water and Sanitation Company Limited set out on page 14 to 32, which comprise the statement of financial position as at 30 June, 2021 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

Report of the Auditor-General on Tana Water and Sanitation Company Limited for the year ended 30 June, 2021

significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Non-submission of Prior Years Financial Statements and Unconfirmed Comparative Balances

Review of the certificate of incorporation revealed that the Company was incorporated in the year 2006. However, Management has not submitted to the Auditor-General the financial statements for fourteen (14) financial years ended 30 June, 2007 to 30 June, 2020. In addition, the financial statements for the year ended 30 June, 2021 contained unaudited opening balances.

In the circumstances, Management was in breach of the law and the accuracy of the opening balances reported in the financial statements could not be confirmed.

2. Anomalies in Presentation and Disclosures in the Financial Statements

Review of the financial statements submitted for audit revealed the following anomalies:

- i. The passport size photographs for the Management team were not appended in the relevant section.
- ii. The statement of performance against predetermined objectives, statement of Management discussion and analysis, statement of environmental and sustainability reporting and report of the Directors and schedule of transfers from other government entities and projects implemented by the Company were not included in the financial statements.
- iii. The heading of the statement of profit or loss and other comprehensive income was incorrectly indicated as the statement of financial performance.
- iv. The statement of comparison of budget and actual amounts was not included in the financial statements.
- v. The notes to the financial statements did not include information on new and revised International Financial Reporting Standards.
- vi. Cross referencing of the disclosure notes to the statement of financial position and statement of cash flow was not correctly done as summarized below:

Item	Note as per Financial Statements	Correct Note Reference
Ordinary Share Capital	19	18
Creditors/Trade and Other Payables	14	17
Trade and Other Receivables	13	15

In the circumstances, the financial statements were not compliant with the Annual Financial Reporting Template (Revised, June, 2022) issued by the Public Sector Accounting Standards Board.

3. Late Submission of the Financial Statements

The financial statements for the year ended 30 June, 2021 were submitted to the Auditor-General on 3 February, 2023, nineteen (19) months after the end of the financial year. This is contrary to Section 164(1) and (4) of the Public Finance Management Act, 2012 which provides that at the end of each financial year, the Accounting Officer for a county government entity shall prepare financial statements in respect of the entity and not later than three months after the end of each financial year, submit the financial statement to the Auditor-General.

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

4. Failure to Prepare and Submit a Trial Balance

During the year under review, Management did not prepare and submit a trial balance to support the balances reflected in the financial statements.

In the circumstances, the accuracy balances could not be confirmed.

5. Errors and Inaccuracies in the Financial Statements Balances

Review of the financial statements prepared and submitted for audit revealed the following errors and inaccuracies:

- i. Comparison of the balances reflected in the Notes to the financial statements and balances reflected in the supporting schedules revealed unreconciled variances as summarized in the table below:

Item	Note	Amount as Per Note to the Financial Statements (Kshs.)	Amount as Per Schedule (Kshs.)	Variations (Kshs.)
Payroll Deductions	9	128,600	653,700	525,700
Electricity	10	16,786,844	29,872,067	16,786,844
Sitting Allowance	11	300,000	302,400	2,400
Travel and Accommodation	11	284,000	281,600	3,400

- ii. The statement of financial position reflects development grant of Kshs.424,897,677. However, the financial statement did not include a corresponding Note to support the balance.
- iii. The statement of cash flows reflects changes in account receivables of negative Kshs.13,037,528. However, Note 15 to the financial statements reflects trade and other receivables of Kshs.53,316,882 and Kshs.41,668,491 as at 30 June, 2022 and 30 June, 2021 respectively, translating to a change of negative Kshs.11,648,391 and thus resulting to an unreconciled variance of Kshs.1,389,137.
- iv. The statement of changes in equity reflects ordinary share capital of Kshs.5,000,000 while the statement of financial position reflects share capital of Kshs.100,000 as at 30 June, 2021, resulting to unreconciled variance of Kshs.4,900,000.
- v. Note 14 to the financial statements reflects property, plant and equipment balance of Kshs.368,845,964. However, recalculation of the net book value based on the asset balances reflected in Note 14 gave a balance of Kshs.250,930,417, resulting to unexplained variance of Kshs.117,915,547.

In the circumstances, the accuracy of the balances reflected in the financial statements could not be confirmed.

6. Unsupported Cash Grants

The statement of financial performance reflects cash grants of Kshs.53,008,061 as disclosed in Note 7 to the financial statements. However, the balance was not supported by detailed schedules and ledger accounts.

In the circumstances, the accuracy of cash grants of Kshs.53,008,061 for the year ended 30 June, 2022 could not be confirmed.

7. Unsupported General and Operation Expenditure

The statement of financial performance reflects general and operation expenses of Kshs.51,422,567 as Note 10 to the financial statements. However, payment vouchers and supporting documents for expenditure totalling to Kshs.19,506,880 were not provided for audit review. The details are summarized in the table below:

Item No.	Details	Amount (Kshs.)
1.	Publicity, Advertising, Printing and Photocopying	1,182,657
2.	Electricity	16,061,623
3.	Accompanying Measures	2,262,600
	Total	19,506,880

In the circumstances, the accuracy of general and operation expenses of Kshs.19,506,880 for the year ended 30 June, 2022 could not be confirmed.

8. Unsupported Office Operation and Maintenance Expenditure

The statement of financial performance reflects maintenance expenses balance of Kshs.3,570,427 as disclosed in Note 12 to the financial statements. However, payment

vouchers and supporting documents for expenditure totalling to Kshs.2,564,013 as tabulated below were not provided for audit review:

Item No.	Details	Amount (Kshs.)
1.	Operation & Maintenance - Water	810,500
2.	Plant and Equipment	608,819
3.	Maintenance of Pipes & Fittings	643,070
4.	Operation and Maintenance-M/Vehicle/Cycle	501,624
	Total	2,564,013

In addition, office operation and maintenance expenses of Kshs.115,000 were not supported by detailed schedules and ledger.

In the circumstances, the validity, accuracy and completeness of maintenance expenses of Kshs.2,679,013 for the year ended 30 June, 2022 could not be confirmed.

9. Unsupported and Doubtful Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.53,316,882 as disclosed in Note 15 to the financial statements. However, Management did not maintain an updated debtors' ledger. In addition, aging analysis was not prepared to facilitate effective debt monitoring. Further, demand notes were not sent to customers with long outstanding water bills.

In the circumstances, the accuracy, existence and recoverability of the trade and other receivables balance of Kshs.53,316,882 as at 30 June, 2022 could not be confirmed.

10. Unsupported Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.1,537,316 as disclosed in Note 16 to the financial statements. Review of records revealed that the Company operated four (4) bank accounts in various commercial banks during the year under review. However, bank statements, bank reconciliation statements, cash books and certificates of bank balances for the four (4) bank accounts were not provided for audit review.

In the circumstances, the completeness and accuracy of cash and cash equivalents balance of Kshs.1,537,316 as at 30 June, 2021 could not be confirmed.

11. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.3,415,373 as disclosed in Note 17 to the financial statements. However, the balance was not supported with detailed schedules/creditor statements, indicating particulars of invoices and local service/purchase orders. In addition, the aging analysis for the payables were not prepared.

In the circumstances, the completeness and accuracy of the trade and other payables balance of Kshs.3,415,373 as at 30 June, 2021 could not be confirmed and the Company's ability to settle them is in doubt.

12. Unconfirmed Accuracy and Ownership of Ordinary Share Capital

According to the certificate of incorporation, the Company was incorporated in the year 2006 with issued and paid-up share capital of Kshs.100,000 divided into 5,000 shares of Kshs.20 each. These shares were previously issued to the defunct County Council of Tana River. However, the shares were never transferred to the County Government of Tana River after dissolution of the County Council. In addition, the statement of changes in equity reflects ordinary share capital of Kshs.5,000,000 as disclosed in Note 17 to the financial statements, resulting to unreconciled variance of Kshs.4,900,000.

In the circumstances, the accuracy and ownership status of ordinary share capital balance of Kshs.5,000,000 as at 30 June, 2021 could not be confirmed.

13. Excessive Non-Revenue Water

During the year under review, the Company produced a total of 2,000,000 cubic meters of water, out of which only 576,100 cubic meters of water were billed to customers. The balance of 1,423,900 cubic meters, representing 71% of the total volume of water produced were not billed hence considered as Non-Revenue Water (NRW). This was above the maximum Non-Revenue Water rate of 25% set by Water Service Regulatory Board guidelines. The 1,423,900 cubic meters of Non-Revenue Water may have resulted into an estimated loss of Kshs.54,108,200 using the Company's average selling price of Kshs.38 per cubic meter.

Further, the Company operated without a master meter and therefore the accuracy of quantities of water produced could not be confirmed.

In the circumstances, the effectiveness of controls on water production and billing could not be confirmed.

14. Weak Controls in Revenue Collection

During the year under review, the Company operated without an approved tariff from the Water Service Regulatory Board (WASREB). In addition, revenue was collected through a manual system and the Company did not have a billing system with necessary controls to facilitate effective revenue collection and reporting.

In the circumstances, the existence of effective systems and processes of revenue collection in the Company could not be confirmed.

15. Completed but Non-Operational Nanighi Water Project

Included in the general and operational expenses of Kshs.51,422,567 is structure and sanitation expenditure of Kshs.26,186,722 as disclosed in Note 10 to the financial statements. Review of records revealed that the Company entered into a contract with a contractor for construction and commissioning of water supply system for Nanighi Water and Sanitation Project at a contract sum of Kshs.11,984,913. The contract agreement was signed on 13 October, 2020. However, field inspection carried out at the time of audit on 13 February, 2023 revealed that the project was complete but not operational due to piping and other system break down.

In the circumstances, value for money from the expenditure of Kshs.11,984,913 on the project for the year ended 30 June, 2022 could not be confirmed.

16. Erection of Kipao Water Project on Private Land

Included in the general and operational expenses of Kshs.51,422,567 is structure and sanitation expenditure of Kshs.26,186,722 as disclosed in Note 10 to the financial statements. Review of records revealed that the Company awarded a contract for construction and commissioning of water supply system at Kipao Water and Sanitation Project to a local contractor at a contract sum Kshs.11,504,590. However, field inspection of the project carried out at the time of audit on 13 February, 2023 revealed that six (6) water kiosks, equipping of boreholes, fencing of borehole and construction of the standard solar control room at a total cost of Kshs.5,052,155 were done on a private parcel of land with no sale or lease agreement. The standard solar control room was converted into residential house by the owner of the plot though the control system was still functioning. In addition, out of the six (6) water kiosks constructed, three (3) were not in use.

In the circumstances, the intended benefits of the project may not be achieved and there was no value for money from the expenditure of Kshs.11,504,590 on the water project for the year ended 30 June, 2022.

17. Lack of an Approved Budget

Management did not provide evidence of existence of an approved budget 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.

18. Lack of Audit Committee and Internal Audit

The Company operated without an Audit Committee and an internal audit department to support the accounting officer with regard to the responsibilities for issues of risk control, governance and associated assurance. This was contrary to Section 155(5) of the Public Finance Management Act, 2012 which provides that a county government entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

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

19. Lack of Risk Management Policy

The Company did not have a Risk Management Policy in place. Further, Management did not carry out risk assessment during the year under review. This was contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanisms and develop a system of risk management and internal control that builds robust business operations.

In the circumstances, Management was in breach of the law and could also not be able to identify, assess and control threats that may affect achievement of the Company's objectives.

20. Lack of Staff Establishment and Scheme of Service

The Company did not maintain an approved staff establishment and scheme of service. It was therefore not possible to confirm whether the Company was operating within optimal staff levels. This was contrary to paragraph 3.9 of the Corporate Governance Guidelines for the Water Services Sector, 2018 which requires that the Board of Directors shall ensure that it has a staff establishment showing in-post and vacancies based on sector standard competencies.

In the circumstances, Management was in breach of the guidelines and it was not possible to confirm the existence of internal controls on staff recruitment and promotions in the Company.

21. Lack of Debt Management and Bad Debt Policies

During the year under review it was noted that the Company did not have a Debt Management Policy as well as a policy on provision for bad and doubtful debts.

In the circumstances, the effectiveness in the monitoring and recovery of the trade and other receivables could not be confirmed

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Companies Act, 2015, Because of the significance of the matters under the Basis for Disclaimer of Opinion section of my report, I report based on my audit, that:

- i. I have not 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 Company, so far as appears from the examination of those records; and,
- iii. The Company's 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 the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.


Auditor-General's Responsibilities for the Audit

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

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article

229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal controls, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources and on effectiveness of internal controls, risk management and governance.

I am independent of the Tana Water and Sanitation Company Limited 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 June, 2023

TANA WATER AND SANITATION COMPANY LIMITED**Reports and Financial Statements****For the year ended June 30, 2021.****STATEMENT OF FINANCIAL PERFORMANCE****FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2020 - 2021	2019 - 2020
		Kshs	Kshs
REVENUES			
Sale of water	6	20,474,620	26,608,167
Cash Grants	7	53,008,061	7,391,452
Other Income	8	40,000	2,027,620
TOTAL REVENUES		73,522,681	36,027,239
OPERATING EXPENSES			
Staff Costs	9	8,238,534	11,542,697
General and operations expenses	10	51,422,567	3,685,987
Board expenses	11	624,000	2,461,000
Maintenance expenses	12	3,570,427	3,714,103
Bore hole expenses	13	00.00	2,097,375
Depreciation and amortization expenses	14	18,889,557	11,136,540
Administrative costs		00.00	2,451,019
Borehole drilling and sanitation			2,097,375
TOTAL OPERATING EXPENSES		82,745,085	37,088,721
SURPLUS/(LOSS) BEFORE TAXATION		(9,222,404)	(1,061,482)
INCOME TAX EXPENSE/(CREDIT)		(9,222,404)	
NET SURPLUS/(LOSS) FOR THE PERIOD		(9,222,404)	(1,061,482)

The notes set out on pages 25 to 32 form an integral part of these Financial Statements

TANA WATER AND SANITATION COMPANY LIMITED

Reports and Financial Statements

For the year ended June 30, 2021.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021.

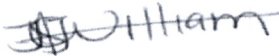
	Note	2020- 2021	2019 - 2020
		Ksh	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	14	368,845,964	383,608,541
Total Non-Current Assets		368,845,964	383,608,541
Current Assets			
Trade and other receivables	15	53,316,882	41,668,491
Cash and Cash equivalents	16	1,537,316	6,563,377
Total Current Assets		54,854,198	48,231,868
Total Assets		423,700,161	431,840,409
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	19	100,000	100,000
Development Grants		424,897,677	420,770,697
Retained earnings		(8,036,758)	2,574,783
Capital and Reserves		417,733,939	428,345,480
Liabilities			
Trade and other Payables	17	3,415,373	1,606,429
Customer deposits	19	2,550,850	1,888,500
Taxation			
Total Liabilities		5,966,223	3,494,929
TOTAL EQUITY AND LIABILITIES		423,700,162	431,840,409

The financial statements were approved by the Board on 30/06/2021 2021 and signed on its behalf by:

Managing Director

Head of Finance

Chairperson of the Board

Sign.....


Sign.....


Sign.....


Name: WILLIAM JILLO

Name: BONAYA Richard

Name: Chairperson

MNO 14692

TANA WATER AND SANITATION COMPANY LIMITED
Reports and Financial Statements
For the year ended June 30, 2021.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30th June 2021.

	Ordinary Share Capital	Retained Earnings	Development Grants	Total
	Kshs.	Kshs.	Kshs.	Kshs.
As at 1st July 2019	5,000,000	1,185,646	420,770,697	426,956,343
Ordinary Share Capital	0	0	0	0
Surplus/(deficit) for the year	0	(9,222,404)	0	(9,222,404)
Development grants Received.	0	0	4,126,980	0
As at 30th June 2020.	5,000,000	(8,036,758)	424,897,677	417,733,939
As at 1st July 2020.	5,000,000	(8,036,758)	424,897,677	417,733,939
Ordinary Share Capital	0	0	0	0
Surplus/(deficit) for the year	0	0	0	0
Development grants received	0	0	0	0
At 30th June 2021.	5,000,000	(8,036,758)	424,897,677	417,733,939

TANA WATER AND SANITATION COMPANY LIMITED
Reports and Financial Statements
For the year ended June 30, 2021.

STATEMENT OF CASH FLOWS

		2020 - 2021	2019 - 2020
6		Kshs	Kshs
Cash flow from operating activities	Note		
Operating revenue	6	20,474,620	26,608,167
Other Income.	8	40,000	9,419,072
Grant	7	53,008,061	(23,501,562)
Customer deposit	19	662,350	
Total receipts		74,185,031	
Payments			
Staff costs	9	8,238,534	
Board expenses	11	624,000	(3,669,654)
General and operation expenses	10	51,422,567	
Maintenance	12	3,570,427	
Total payments		(63,855,528)	8,856,023
Net cashflow from operating activities		10,329,503	
Changes in working capital			
-Creditors	14	1,808,944	(426,750)
Trade and other receivables	13	(13,037,528)	1,054,500
Cash flow from investing activities			
-Purchase of Assets		(4,126,980)	00.00
Net cash from investing activities		(4,126,980)	00.00
Cash flow from financing activities			
Proceeds from issues of new share capital		00.00	(2,982,487)
Dividends paid		00.00	00.00
Net cash flow from financing activities	(c)	00.00	(2,982,487)
Net changes in cash and cash equivalents		(5,026,061)	6,501,286
Cash and Cash Equivalents at the Start of the Year		6,563,377	62,091
Cash and Cash Equivalents at the End of the Year		1,537,316	6,563,377

TANA WATER AND SANITATION COMPANY LIMITED

Reports and Financial Statements

For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Tana Water and Sanitation Company Limited entity is established by and derives its authority and accountability from the Water Act 2006. The entity is wholly owned by the County Government of Tana River and is domiciled in Kenya. The entity's principal activity is supply of water to the residents of Tana River.

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 financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*.

The financial statements have been prepared in accordance with the PFM Act 2012, the State Corporations Act, and International Financial Reporting Standards (IFRS). The Accounting policies adopted have been consistently applied to all the years presented.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the *entity* and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the *entity's* activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the *entity's* activities as described below.

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

TANA WATER AND SANITATION COMPANY LIMITED

Reports and Financial Statements

For the year ended June 30, 2021.

- ii) **Grants from National/County Governments and other Donors** are recognized in the year in which the entity 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 realized 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) Other income is recognized as it accrues.

b) In-kind contributions

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

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.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Depreciation and impairment of property, plant and equipment (continued)

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

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line 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:

Buildings and civil works	2.5%
Plant and machinery	12.5%
Motor vehicles, including motor cycles	20%
Computers and related equipment	33.3%
Office equipment, furniture and fittings	12.5%

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

d) Intangible assets

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Trade and other receivables

Trade and other receivables are recognised at fair values 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.

f) Taxation

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 Entity 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 statement of financial performance.

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 Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) *Deferred tax (Continued)*

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the Temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) 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 the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

h) 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 amortised cost using the effective interest rate method. Amortised 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 capitalised as part of the cost of the project.

i) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised 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.

j) Retirement benefit obligations

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.200/= per employee per month.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) 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 recognised in profit or loss.

l) Budget information

The entity'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 financial performance, 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 financial performance has been presented under the budget section of these financial statements.

m) Comparative figures

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

n) 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, 2018.

SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions were raised and management determined an estimate based on the information available.

TANA WATER AND SANITATION COMPANY LIMITED
Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 SALES

	2020 - 2021	2019 - 2020
	Kshs	Kshs
Sale of water	20,474,120	26,608,167
Total Water Sales	20,474,120	26,608,167

8. OTHER INCOME

	2020 - 2021	2019 - 2020
	Kshs	Kshs
Sale of tender documents	00.00	
New Connection charges	00.00	1,729,525
Reconnection fees	40,000	268,815
Application fees	00.00	6,000
Interest Received	00.00	20,480
Other miscellaneous incomes	00.00	2,800
Total	40,000	2,027,620

7. CASH GRANTS

	2020 - 2021	2019 - 2020
	Kshs	Kshs
Grants from WSTF (Nanighi project)	12,760,738	3,629,542
Grants from WSTF (Kipao project)	12,537,480	3,761,910
Grant from Tana River County Government	27,709,843	00.00
Total	53,008,061	7,391,452

TANA WATER AND SANITATION COMPANY LIMITED
Reports and Financial Statements
For the year ended June 30, 2021.

9. STAFF COSTS

	2020 - 2021	2019 - 2020
	Kshs	Kshs
Top up allowances from TAWASCO	112,834	542,465
Casuals Wages & interns allowance	7,997,100	10,415,382
Payroll deductions	128,600	584,850
Total	8,238,534	11,542,697

10. GENERAL AND OPERATION EXPENSES

	2020 - 2021	2019 - 2020
	Kshs	Kshs
Electricity	16,786,844	1,144,868
Fuel, oil, lubricants and gases	2,562,000	674,300
Rent and rates	280,000	180,000
Chemicals	694,400	791,400
Hire of equipment and vehicles	68,500	229,300
Domestic travel and subsistence	799,300	
Bank charges	262,054	141,707
Publicity, advertising, printing and photocopying	1,182,657	412,412
Airtime	00.00	37,000
Accompanying measures	2,262,600	
Project preparation expenses	266,000	
Hospitality expenses	69,990	75,200
Structures and sanitation	26,186,722	
Other operating costs (account maintenance charges)	1,500	
Total	51,422,567	3,685,987

11. BOARD EXPENSES

	2020 - 2021	2019 - 2020
	Kshs	Kshs
Chairman's Honoraria	40,000	120,000
Sitting allowance	300,000	
Travel and accommodation	284,000	2,341,000
TOTAL	624,000	2,461,000

TANA WATER AND SANITATION COMPANY LIMITED
Reports and Financial Statements
For the year ended June 30, 2021.

12. MAINTENANCE EXPENSES

	2020 - 2021	2019 - 2020
	Kshs	Kshs
Subscription fee to WARMA		280,453
Plant and equipment	747,618	
Operation & Maintenance expense - Water	1,007,950	1,350,700
Operation & Maintenance expense - Buildings	00.00	207,000
Operation & Maintenance expense – Motor V/Cycle	748,524	188,500
Other Operation and maintenance expenses		1,607,450
Internet Expenses		80,000
Pipes and fittings	951,335	
Operation and maintenance -office	115,000	00.00
Total	3,570,427	3,714,103

13. BOREHOLE DRILING AND SANITATION

	2020 - 2021	2019 - 2020
	Kshs	Kshs
Kipao water project		2,097,375
Nanighi water project		00.00
TOTAL		2,097,375

TANA WATER AND SANITATION COMPANY LIMITED
Reports and Financial Statements
For the year ended June 30, 2021.

14. PROPERTY, PLANT AND EQUIPMENT

	Plant & machinery	Bore hole	Motor vehicles/cycles	Furniture fittings & equipment	Computers	Total
Description	Shs	Shs	Shs	Shs	Shs	Shs
	12,5%	4,2%	20%	12,5%	33,3%	
As at 1 July 2020	64,778,114	186,335,361	5,321,266	9,258,253	00.00	383,600,000
Additions	3,026,980				1,100,000	4,126,980
Disposals	(00.00)	(00.00)	(00.00)	(00.00)	(00.00)	(00.00)
As at 30th June 2021	67,805,094	186,335,361	5,321,266	9,258,253	1,100,000	387,799,000
Depreciation and impairment						
At 1 July 2020	24,724,146	21,374,017	5,428,767	2,914,487	00.00	62,439,397
Depreciation	8,475,637	7,826,085	1,064,253	1,157,282	366,300	18,829,562
As at 30 June 2021	33,199,782	29,200,102	6,493,020	4,071,769	366,300	81,329,973
NBV as at 30th June 2021	59,329,457	178,509,276	4,257,013	8,100,971	733,700	368,829,417

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15. TRADE AND OTHER RECEIVABLES

	2020 - 2021	2019 - 2020
	Kshs	Kshs
Water debtors	53,288,993	41,668,491
Statutory Deductions Prepayments	27,889	00.00
Totals	53,316,882	41,668,491

16. CASH AND CASH EQUIVALENTS

	Account Number	2020 - 2021	2019 - 2020
		Kshs	Kshs
Kenya Commercial Bank	1122965575	957,758	1,659,901
Kenya Commercial Bank	1122965516		56,052
Kenya Commercial Bank	1240409176	36,883	3,276,661
Kenya Commercial Bank	1240409346	542,675	1,570,763
Cash at bank		1,537,316	6,563,377

17. TRADE AND OTHER PAYABLES

	2020 - 2021	2019 - 2020
	Kshs	Kshs
Kel chemicals	677,600	00.00
Accrued Net wages expenses	617,500	921,500
Accrued NHIF	28,600	
Accrued NSSF	22,400	
Raboja enterprise	350,000	102,400
Ismail jilo algi	160,000	290,000
Dube masha	120,000	00.00
Kenn motors	48,800	198,147
Open arch	30,000	
Advance revenue received	64,039	94,382
KPLC	1,305,654	
Current account	780	
Total	3,415,373	1,606,429

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Shareholder	Ordinary Shares	Par value	2020 - 2021	2019 - 2020
			Kshs	Kshs
County Council of Tana River	5,000	1,000	5,000,000	5,000,000
Chairman County council	0	1,000	0	0
County council clerk	0	1,000	0	0
	5,000	1,000	5,000,000	5,000,000

19. CUSTOMER DEPOSITS

	2020 - 2021	2019 - 2020
	Kshs	Kshs
Balance brought forward	1,888,500	834,000
Received during the year	662,350	1,054,500
Withdrawals	(00.00)	
Net deposits	2,550,850	1,888,500

20. RELATED PARTY DISCLOSURES**(a) Government of Kenya**

The County Government of Tana is the principal shareholder of the *entity*, holding 100% of the *entity's* equity interest.

Other related parties include:

- i) Grants from Tana River County Government
- ii) Key management;
- iii) Board of directors;
- iv) Coast water services Board

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Transactions with related parties

	2020- 2021	2019 - 2020
	Kshs	Kshs
a) Grants from		
Water sector trust fund	25,298,218	7,391,452
Grants from County Government	27,709,843	
Coast water service board		
b) Key management compensation		
Directors' emoluments		1,085,800

21. CONTINGENT LIABILITIES

The Company does not have any long term liability (Loan) with any organization.

22. FINANCIAL RISK MANAGEMENT

The entity'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 is in the process of setting policies to ensure that credit is only extended to customers with an established credit history.

23 INCORPORATION

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

24 EVENTS AFTER THE REPORTING PERIOD

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

25 CURRENCY

The financial statements are presented in Kenya Shillings (Kshs).