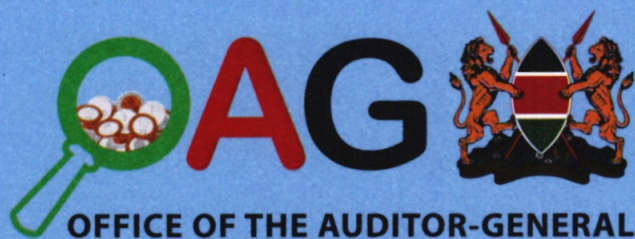
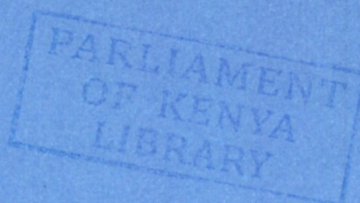


REPUBLIC OF KENYA



Enhancing Accountability



PAPERS LAID	
DATE	29/5/2023
TABLED BY	Senate Majority leader
COMMITTEE	—
CLERK AT THE TABLE	Angela

REPORT

OF

THE AUDITOR-GENERAL

ON

**TAVEVO WATER AND SEWERAGE
COMPANY LIMITED**

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

OFFICE OF THE AUDITOR GENERAL
P.O. Box 95202, MOMBASA

21 FEB 2024

RECEIVED
COAST HUB



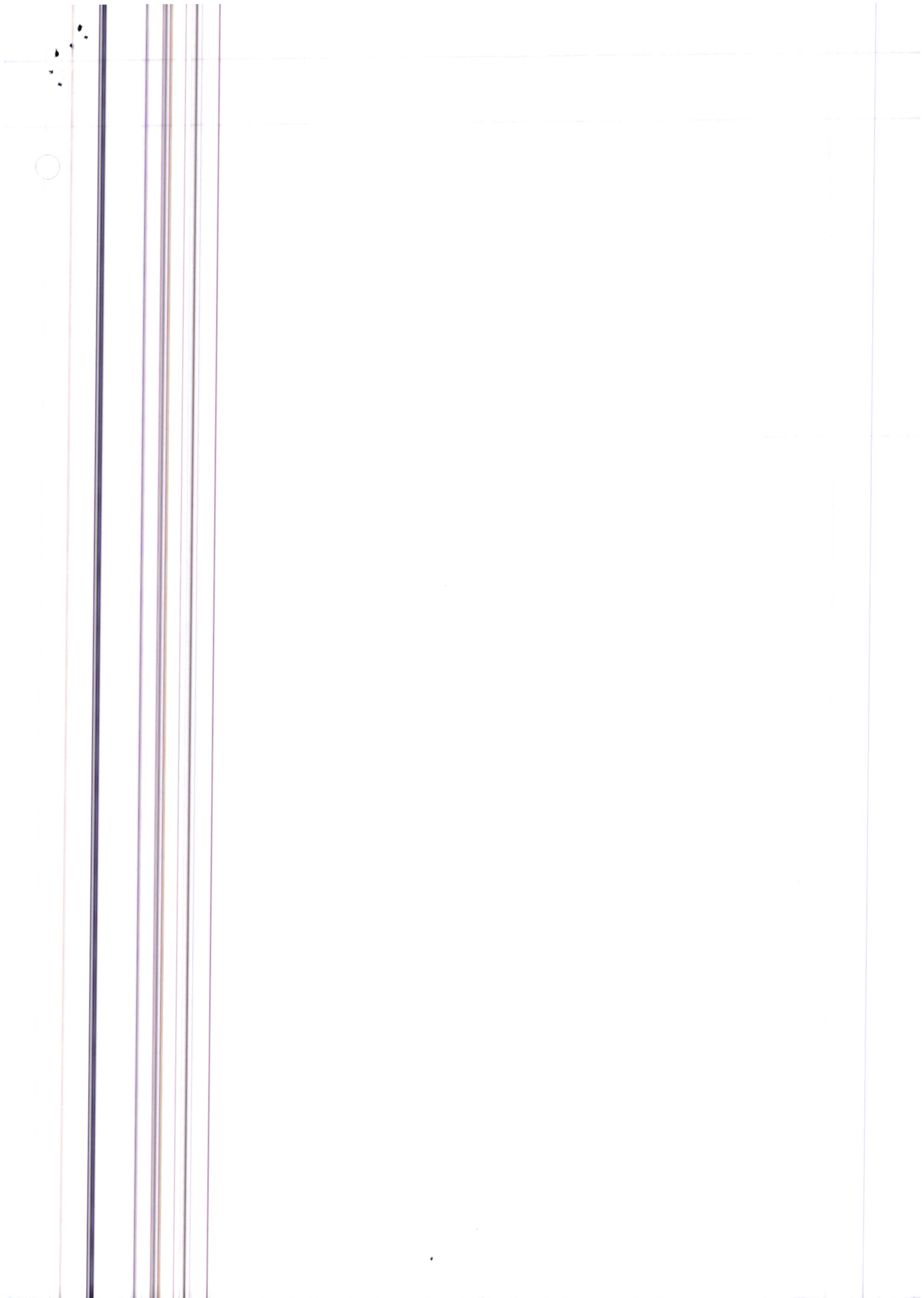
TAVEVO WATER AND SEWERAGE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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



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

Table Of Contents	Page
1. Acronyms and Glossary of Terms	ii
2. Key Entity Information	iii
3. The Board of Directors	vi
4. Key Management Team	ix
5. Chairman’s Statement	xii
6. Report Of the Managing Director.....	xv
7. Statement Of Performance Against Predetermined Objectives for FY 2022/2023	xix
8. Corporate Governance Statement	xx
9. Management Discussion and Analysis.....	xxiii
10. Environmental And Sustainability Reporting.....	xxv
11. Report Of the Directors.....	xxvi
12. Statement Of Directors’ Responsibilities.....	xxvii
13. Report of the Independent Auditors for the financial statements of Tavevo Water and Sewerage Company limited	xxviii
14. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2023	1
15. Statement Of Financial Position As at 30 June 2023	2
16. Statement Of Changes in Equity for the Year Ended 30 June 2023	3
17. Statement Of Cash Flows for The Year Ended 30 June 2023.....	4
18. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2023	5
19. Notes To the Financial Statements.....	7
20. Appendices	39

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

1. Acronyms and Glossary of Terms

Acronyms and glossary of terms that appear in this annual report and financial statements are as follows;

1. *I.C.P.A.K* *Institute of Certified Public Accountants of Kenya*
2. *I.F.R.S* *International Financial Reporting Standards*
3. *M.D* *Managing Director*
4. *P.F.M* *Public Finance Management Act*
5. *P.S.A.S.B* *Public Sector Accounting Standards Board*
6. *W.A.S.R.E.B* *Water Services Regulatory Board*
7. *W.A.R.M.A* *Water resource management authority*
8. *W.S.T.F* *Water sector trust fund*
9. *W.S.P* *Water Services Provider*
10. *U.B.S.U.P* *Upscaling basic sanitation for urban poor*
11. *C.W.W.D.A* *Coast Water Works Development agency*
12. *I.F.R.S* *International Financial Reporting Standards*
13. *D.O.B* *Date of Birth*
14. *I.C.T* *Information Communication Technology*
15. *C.B.K* *Central Bank of Kenya*
16. *W.A.S.C.O* *Water companies sports organisation*

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

2. Key Entity Information

Background information

The Company was established in March 2006 under the Water Act 2002, and was registered on 7th April, 2006 under the Companies Act (Cap 486) as a public limited company. It is licensed by Water Services Regulatory Board (W.A.S.R.E.B) as a Water Service Provider (W.S.P) under the current Water Act, 2016. The entity is domiciled in Taita Taveta County, Kenya.

Oversight and strategic direction responsibilities lie with the Board of directors under the leadership of the Chairperson.

Principal Activities

The principal activities of the Company are provision of adequate and portable, safe, Piped Water and Sanitation Services to the residents of Taita Taveta County.

Directors

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

No.	Name	Designation	Appointment Date
1.	Mr Houghton Mombo	Chairman	From 29 th May 2020 to date.
2.	Mr. Elistone Mwamtungu	Member	From 15-3-2018 to date.
3.	Mr. Nashon Chovu Nyali	Member	From 17 th March 2023 to date
4.	Mrs. Ruth Lelewu	Member	From 29 th May 2020 to date
6.	Mr. Reuben Kitololo	Member	From 17 th March 2023 to date
7.	Ms. Agnes Mwasi	Member	From 15-3-2018 to date.
9.	Mr. Richard W. Kibengo	Ag. Managing Director	From 23 rd December 2023 to date
8.	Mr. Richard Ngwatu	Managing Director	From 1 st January 2021 to 23 rd December 2023

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

Company Secretary

Mr Justus Munyithya,
Advocate/CPS (K), LL.M, LL.B.
I.C.P.S.K membership number – P/CPSB/1434,
4th Floor, N.S.S.F Building, Nkrumah Road P.O. Box 43370 - 80100 Mombasa.

Registered Office

National Water Camp,
Voi, Sofia road before Coast institute of Technology,
P.O. Box 6-80300,
Voi, Kenya.

Corporate Headquarters

National Water Camp,
Voi, Sofia road before Coast institute of Technology,
P.O. Box 6-80300,
Voi, Kenya.

Corporate Contacts

Telephone: (254) 713676213/780676213
E-mail: info@tavevowater.co.ke
Website: www.tavevowater.co.ke

Corporate Bankers

1. Kenya Commercial Bank,
Next to K.R.A Voi branch,
P.O. Box 137-80300
Voi Town, Kenya.
2. Co-operative Bank of Kenya,
Next to K.C.B Voi,
P.O. Box 770-80300,
Voi Town, Kenya.

Independent Auditor

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

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

Principal Legal Advisers

1. The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O Box 40112
City Square 00200
Nairobi, Kenya.

2. Mr Justus Munyithya,
Advocate/CPS (K), LL.M, LL.B.
I.C.P.S.K membership number – P/CPSB/1434,
4th Floor, N.S.S.F Building, Nkrumah Road P.O. Box 43370 - 80100 Mombasa.

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

3. The Board of Directors

PHOTO	NAME/POSITION	QUALIFICATION
	<p>Mr Houghton Mombo Chairman Board of Directors From 29th May 2020 to date. D.O.B 04/02/1964</p>	<p>Executive Master of Business Administration. Bachelor of Technology (Electrical & Electronics) Telecommunications.</p>
	<p>Mr. Elistone Mwamungu Mwanyuma - Member from 15-3-2018 to date. Chairman- Finance and committee. D.O.B 01/01/1979</p>	<p>Special Groups. Representative of People living with disabilities.</p>
	<p>Mr. Nashon Nyali Chovu County Chief Officer Finance and Planning Taita Taveta County</p>	<p>Bachelor of Business Management degree from Moi University. C.P.A (K)</p>
	<p>Mrs Ruth Lelewu Member from 29th May 2020 Chairperson-Technical and commercial committee. D.O.B 20/05/1961</p>	<p>Bachelor of Commerce (Marketing Option).</p>

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

	<p>Mr. Reuben Kitololo County Chief Officer Water & Sanitation Taita Taveta County Government.</p>	<p>County Chief Officer Water & Sanitation Taita Taveta County Government</p>
	<p>Ms Agnes Mwasi –Member From 15-3-2018 to date. Chairperson-Audit Committee. D.OB 23/5/1967</p>	<p>Business Lady.</p>
	<p>Mr. Richard W. Kibengo Ag. Managing Director from 23rd December 2022 D.O.B 30-8-1986</p>	<p>Master of Business Administration Marketing Bachelor of commerce (Marketing).</p>
	<p>Mr Richard Ngwatu Managing Director from 1st January 2021 to 23rd December 2022</p>	<p>Bachelor of Economics and Business Management Master of Economics (Economics and Business Management)</p>

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





 A portrait photograph of Mr. Justus Munyithya, a man with short dark hair, wearing a dark suit jacket, a light blue striped shirt, and a dark tie. He is smiling slightly and looking towards the camera.	<p>Mr Justus Munyithya Company Secretary</p>	<p>Kioko Munyithya Ngugi & Co. Advocates, Advocate/CPS (K), LL.M, LLB. I.C.P.S.K membership number – P/CPSB/1434</p>
---	--	--

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


4. Key Management Team

Photo	Name	Qualification
	<p>Mr. Richard Ngwatu Ag. Managing Director up to 23rd December 2023</p>	<p>Master of Economics (Economics and Business Management) Bachelor of Economics and Business Management</p>
	<p>Mr. Richard W. Kibengo Ag. Managing Director from 23rd December 2022</p>	<p>Master of Business Administration Marketing Bachelor of commerce (Marketing).</p>
	<p>Mr. Justus Munyithya Company Secretary.</p>	<p>Kioko Munyithya Ngugi & Co. Advocates, Advocate/CPS (K), LLM, LLB. I.C.P.S.K membership number – P/CPSB/1434</p>
	<p>Mrs. Amina Suleiman Head of Finance</p>	<p>Master of Business Administration Finance CPA (K) Membership No. 15011</p>

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

	<p>Mr. Jason Mwasicho. Head of Technical Services.</p>	<p>Bachelor of Science Civil Engineering</p>
	<p>Mr. Alfred Mwatika Supply Chain Management Officer</p>	<p>Bachelors in Procurement and Supply chain management</p>
	<p>Mr. Boniface Lewela Internal Audit Manager</p>	<p>Master of commerce (Currently pursuing)</p> <p>Bachelors of Business Management (Banking & Finance) C.P.A (K)</p>
	<p>Mr. Harun Mlagui Human Resource Manager</p>	<p>Master of Business Administration Human Resource management Business (Administration Human resource)</p>

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

	<p>Mr. Junior Mwachaza Legal & Board affairs</p>	<p>LLB, Advocate of the High Court Commissioner of oaths</p>
---	--	--

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

5. Chairman's Statement

It is now 17 years since the Company started operating and managing water services in Taita Taveta County. Undoubtedly, the company has made tremendous strides in the management and delivery of water services despite the difficult operating environment brought about by slow economic growth and general inflation.

We do affirm as a Company to work closely with the County Government of Taita Taveta and other key stakeholders in order to ensure clean, portable and affordable water is available to all within Taita Taveta County.

ACTIVITIES/ACHIEVEMENTS DURING THE PERIOD

Projects

A. Water and Sanitation Development Project

Tavevo has through the Water and Sanitation development Project (W.S.D.P) received numerous assets to boost efficiency and improve delivery of services to our customer. There are a number of activities on-going and completed through the above-mentioned project as listed below;

Goods

- i. Water supply Repair Kits.
- ii. Three Double cabin vehicles and 10 motorcycles.
- iii. 10,540 no. Consumer meters plus fittings.
- iv. Two Exhauster trucks and 2 no. Water Bowsers for Sanitation and water tracking services respectively.
- v. General ICT equipment.
- vi. Sanitation tools and equipment.

Works

- i. 8 No. Ablution blocks in Voi, Taveta, Mwatate, Wundanyi and Maungu towns.
- ii. Combined waste water monitoring Laboratory at Voi Headquarters.
- iii. Storage Warehouse.
- iv. New Office block.
- v. Upgrade of water distribution systems in Voi, Wundanyi, Mwatate and Taveta towns.

Other objectives of the project are as follows;

- i. To engage a consultant on detailed design review, ESIA, RAP supervision of construction works and technical support for medium term works.
- ii. To upgrade water distribution systems in Voi, Wundanyi, Mwatate and Taveta respectively.
- iii. To construct sludge handling facilities in Voi and Taveta town.
- iv. To construction 8 No. ablution blocks in urban areas within the Taita Taveta County.

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

- v. To construct a modern laboratory, Office blocks and warehouse.

The above activities once undertaken will be instrumental in turning around Tavevo and increase overall efficiency of the Company.

B. Water Sector Trust Fund

Water sector trust fund (W.S.T.F) has also been a key partner during the period under review through its immense financial support in the period under review. These include;

- i. Nyangoro Maktau water project.
- ii. Mwatate Up scaling basic sanitation for urban poor (U.B.S.U.P).
- iii. Manga Bus Park Public Sanitation Facility.
- iv. Kishushe Kishenyi water project.
- v. Wildlife support program. (Construction of water pans).

Important to note all the above-mentioned projects have been in conjunction with the **Taita Taveta County Government**.

Non-Revenue Water

During the reporting period our Non-Revenue Water which is the difference between the water produced for distribution and the water billed was 36% against a national average of 54.6%.

However, 36% is still high which is highly attributed to the old and dilapidated water supply infrastructure dating over 50 years which are prone to frequent bursts and leakages. Despite this challenge the company endeavours to reduce it to sector benchmark levels of less than 25%.

Metering

It is the policy of the Company to meter all consumer connections in addition to metering major supply lines to monitor losses due to pipeline leakages and illegal connections. Our metering level is 100%. Metering is a critical tool for managing Non-Revenue water and is also essential in managing per capita water consumption.

Drinking Water Quality

The quality of drinking water has a direct impact on the health of our consumers. Tavevo has made commendable efforts in ensuring that the water we provide our customers is free of disease-causing organisms by chlorinating our water and ensuring that the required residual chlorine is maintained all over the supply area.

Human Resource Capacity

The Company has made reasonable strides to improve its terms and conditions of service, while scrupulously keeping to its staffing ceiling level in order to maintain competent and well-motivated human resource capacity.

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

Summary of challenges during the period

However notwithstanding our stated achievements, we have some key challenges to address as we plan for the future of the company. These include:

1. High cost of electricity due to pumping cost and topography of Taita Taveta.
2. High Operational Costs due to old and dilapidated infrastructure.
3. Low water Supply Coverage especially in rural areas.
4. High Number of Inactive customer connections.
5. High Non-Revenue Water compared to the sector benchmark of 25%.
6. High cost of Bulk water from the Mzima Water bulk supply.

WAY FORWARD

According to Article 43 (d) of the Kenya constitution, 2010 and Water Act 2016, every person has the right “to clean and safe water in adequate quantities”. To this end Tavevo has successfully been able to reach more residents in both urban and peri-urban areas of Taita Taveta County. The Company targets to increase the area of water coverage especially in the rural, to improve sewer coverage, drinking water quality, improve hours of supply, reduction of N.R.W, increase staff productivity and collection efficiency.

The Board of directors are committed to ensure that the strategic objectives of the Company are met.

Date.....20/02/2024.....

Signature..........

CHAIRMAN;

TAVEVO WATER AND SEWERAGE COMPANY LTD; BOARD OF DIRECTORS

6. Report Of the Managing Director

Tavevo since inception in the year 2007 was mandated to supply water to residents of Taita Taveta County. We have diligently performed this function fully to date.

During the year under review Tavevo received enormous financial support from stakeholders which include;

- i. Ministry of water and Sanitation
- ii. Water Sector Trust Fund
- iii. Taita Taveta County Government

Some of the key activities/projects are explained further below;

Projects

A. Water and Sanitation Development Project

Tavevo has through the Water and Sanitation development Project (W.S.D.P) received numerous assets to boost efficiency and improve delivery of services to our customer. There are a number of activities on-going and completed through the above mentioned project as listed below;

Goods

- i. Water supply Repair Kits.
- ii. Three Double cabin vehicles and 10 motorcycles.
- iii. 10,540 no. Consumer meters plus fittings.
- iv. Two Exhauster trucks and two Water Bowsers for Sanitation and water tracking services respectively.
- v. General ICT equipment.
- vi. Sanitation tools and equipment.

Works

- i. 8 No. Ablution blocks in Voi, Taveta, Mwatate, Wundanyi and Maungu towns.
- ii. Combined waste water monitoring Laboratory at Voi Headquarters.
- iii. Storage Warehouse.
- iv. New Office block.
- v. Upgrade of water distribution systems in Voi, Wundanyi, Mwatate and Taveta towns.

Other objectives of the project are as follows;

- i. To engage a consultant on detailed design review, ESIA, RAP supervision of construction works and technical support for medium term works.
- ii. To upgrade water distribution systems in Voi, Wundanyi, Mwatate and Taveta respectively.

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

- iii. To construct sludge handling facilities in Voi and Taveta town.
- iv. To construction 8 No. ablution blocks in urban areas within the Taita Taveta County.
- v. To construct a modern laboratory, Office blocks and warehouse.

The above activities once undertaken will be instrumental in turning around Tavevo and increase overall efficiency of the Company. Tavevo is set to receive approximately **Kshs. 2,500,000,000** throughout the project duration.

B. Water Sector Trust Fund

Water sector trust fund (W.S.T.F) has also been a key partner during the period under review through its immense financial support in the period under review. These include;

- i. Nyangoro Maktau water project,
- ii. Up scaling basic sanitation for urban poor (U.B.S.U.P)
- iii. Manga Bus park Public Sanitation Facility.
- iv. Kishushe Kishenyi water project
- v. Wildlife support program

Important to note all the above mentioned projects have been in conjunction with the Taita Taveta County Government who were core financiers.

Water Coverage

The Company has strived to expand coverage to those areas who currently do not have piped water hence the increase of coverage from 82% to 88% in the urban and peri-urban areas.

However, the rural areas are still lower with the water coverage at 25%. Tavevo is working hand in hand with its main shareholder which is The County Government of Taita Taveta in extending services to the rural areas of Taita Taveta by running the projects successfully completed by the Government and taking over the ones under the communities.

In addition, hours of supply have also increased from an average of 12 to 15 hours.

Non-Revenue Water

During the reporting period our Non-Revenue Water which is the difference between the water produced for distribution and the water billed was 36%.

However, 36% is still high which is highly attributed to the old and dilapidated water supply infrastructure dating over 50 years which are prone to frequent bursts and leakages. Despite this challenge the company endeavours to reduce it to sector benchmark levels of less than 25%.

Metering

It is the policy of the Company to meter all consumer connections in addition to metering major supply lines to monitor losses due to pipeline leakages and illegal connections. Our metering level is 100%. Metering is a critical tool for managing Non-Revenue water and is

Tavevo Water and Sewerage Company Ltd

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

also essential in managing per capita water consumption. We have received over 10,000 meters under the W.S.D.P project boosting our metering efforts while also replacing old meters.

Drinking Water Quality

The quality of drinking water has a direct impact on the health of our consumers. Tavevo has made commendable efforts in ensuring that the water we provide our customers is free of disease-causing organisms by chlorinating our water and ensuring that the required residual chlorine is maintained all over the supply area.

Human Resource Capacity

The Company has made reasonable strides to improve its terms and conditions of service, while scrupulously keeping to its staffing ceiling level in order to maintain competent and well-motivated human resource capacity.

Summary of challenges during the period

However notwithstanding our stated achievements, we have some key challenges to address as we plan for the future of the company. These include:

1. High cost of electricity due to pumping cost and topography of Taita Taveta currently the average billing is Kshs. 5 million per month.
2. High Operational Costs due to old and dilapidated infrastructure some of which were laid over 50 years ago.
3. Low water Supply Coverage especially in rural areas. Most rural areas in Taita Taveta are sparsely populated thereby making the cost of reaching these areas quite high not mentioning maintenance of the same.
4. High Number of Inactive customer connections. Tavevo has embarked on a customer survey exercise to identify all customers with an aim to clean our database.
5. High Non-Revenue Water compared to the sector benchmark of 25%.
6. High cost of Bulk water from the Mzima. The tariffs paid by Tavevo are higher considering we do all the pumping and sometimes treatment of water by ourselves .The Bulk system supplies us by Gravity.

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

WAY FORWARD

According to Article 43 (d) of the Kenya constitution, 2010 and Water Act 2016, every person has the right “to clean and safe water in adequate quantities”. To this end Tavevo has successfully been able to reach more residents in both urban and peri-urban areas of Taita Taveta County. The Company targets to increase the area of water coverage especially in the rural, to improve sewer coverage, drinking water quality, improve hours of supply, reduction of N.R.W, increase staff productivity and collection efficiency.

The Management is committed to ensure that the strategic objectives of the Company are met.

Date.....2023/07/24.....

Signature..........

MANAGING DIRECTOR

TAVEVO WATER AND SEWERAGE COMPANY LTD

7. Statement Of Performance Against Predetermined Objectives for FY 2022/2023

Tavevo successfully formulated a strategic plan and will be implementing it starting the year 2023/2024. The 10 year strategic plan had to be redone owing to the Revised guidelines for preparation of fifth-generation strategic plans, 2023-2027 from the Ministry of National Treasury and economic planning.

8. Corporate Governance Statement

The Board of Directors during the year had six full board meetings and four quarterly meetings for each committee as listed below. The attendance of the meetings was between 100% to two thirds quorum as required. The Board has 3 committees namely:

- (a) Finance and Human resource Committee.
- (b) Audit Committee.
- (c) Technical Committee.

Board of Directors appointment process

1. Board appointments shall be transparent and competitive so as to ensure the public served has an opportunity to participate in decision making in service delivery that affects them.
 2. Vacant positions shall be advertised in the media and on the website of the WSP and the criteria set out by WASREB shall be used.
 3. An ad hoc nominating committee of the board of directors comprising county and select Committee from two or three primary/key stakeholders shall assess applications and ensure that not only is the Leadership and Integrity criteria met but shall perform a background check to ensure the candidates add value to the entity.
 4. The select committee shall receive the applications, vet them to ensure that they comply to the Fit and Proper Test plus the eligibility criteria and where necessary conduct interviews.
 5. The Report of the selection committee shall be submitted to the shareholder who is required as shareholder and function owner to ensure that only persons who add value to the company are appointed.
 6. The Fit and Proper Test Form is annex 2 to this Guideline and must be filled by all applicants and appointees.
 7. The copy of the Fit and Proper Test Forms of each of the appointed directors shall be sent to WASREB.
 8. A letter of appointment issued by the county secretary that adheres to the articles of association of the WSP shall be given after ratification of names of the accepted directors at annual general meeting by the shareholder.
 9. The letter must contain a termination clause on poor performance and misconduct and ensure that it captures that unless the board is retired due to poor performance a third of the members shall retire every year from the third year.
 10. Board members shall serve a maximum of six (6) years based on the approval of the shareholder and on performance issues.
 11. Before a board member begins to serve he must be inducted in governance training customized for the water services sector and sign a code of ethics based on the Leadership and Integrity Act 2012 and the Public Officer Ethics Act 2003.
 12. The list of ratified board members and the stakeholder group they represent shall be maintained on the website of the WSP and shall be communicated to WASREB.
 13. It is good practice that board service is not disrupted by the election cycle and independent oversight must not be compromised by the cycle.
- Board meetings held

Corporate Governance Statement (Continued)

Board succession policies and period in office

1. The shareholder must avoid a situation where all Board members retire at the same time in order to ensure institutional memory.
2. In order to avoid this situation, one third of the Board members other than those from the County Governments, shall retire from office by rotation every year starting from the third year after appointment.
3. The retiring members shall be determined on the basis of those who have served longest and, if they have served for the same period of time, then the retirement will be determined by lot.
4. The retiring members shall be required to reapply for their positions if they are eligible for reappointment
5. The county water department as function owner is advised to use annual performance evaluation of the board of directors and WSP to assess suitability of reapplying members and the need to make changes to improve performance.

Collective and individual role of directors

In order to enable every director to be more clearly aware of their collective and individual accountability and liability in regard to their acts of commission and omission, the directors are required to ensure compliance with the law. Having the assistance of competent company secretary / legal officer and internal auditor will largely assist the board of directors understand compliance?

1. Be aware of the License provisions of the water service provider.
2. Be aware of the laws the company is supposed to comply with, that are Water Act 2016, county water legislation, Companies Act 2015, Public Procurement and Asset Disposal Act, 2015, Public Finance Management Act 2012.
3. Be aware of the Environmental Management and Co-ordination Act.
4. Be aware of the Anti- Corruption and Economic Crimes Act № 3 of 2003.
5. Be aware of the laws relating to employment and labour relations.
6. Be able to understand the financial statements of the company in order to know in depth the financial status of the company and take action accordingly.
7. In good faith, a member shall disclose to the board for recording any business or other interest that he/she holds that is likely to create a potential conflict of interest and withdraw himself from participating in that decision.
8. Be aware of liability of directors jointly and severally in the context of personal liability for fraud, secret profits, corruption and bribery.
9. Board members having conflicting directorships or missing three meetings consecutively should resign voluntarily or be replaced by the shareholder as per the articles of association of the company.

Corporate Governance Statement (Continued)

Directors training and development policy

1. All directors in the water services sector shall receive formal training on their role, duties, responsibilities and obligations as well as board practices and procedures on first appointment before they begin business. This is particularly critical for those with no previous Board experience.
2. Subsequent trainings involve improving understanding of the water service sector operations, deepening oversight skills in financial management different compliance requirements that are critical to the WSP business.
3. The company shall organize these trainings and inform the County Government Water office which should also participate.
4. All directors shall be exposed, at least once every two years, to the following matters:
 - i. Corporate strategy in the water sector and institutional organization.
 - ii. Role, duties and responsibilities of the Board and directors.
 - iii. The License content.
 - iv. Rights and obligations of a director.
 - v. Statutory liabilities and duties of a director under criminal and company law.
 - vi. Board practices and procedures.
 - vii. Disclosure and communication policies.
 - viii. Financial management systems,
 - ix. Risk management, internal control procedures and internal audit.
 - x. The importance of external audit by the Auditor General
 - xi. Performance targeting, monitoring and evaluation with emphasis to the water service sector minimum service level requirements and sector benchmarks
 - xii. The role of Information Technology in oversight

Board Remuneration Policy

To provide efficiency and act as an incentive to improve performance at oversight level, the following are the limits for sitting allowances and other expenditures of the board and its committees:

For companies with:

- a. Annual Turnover of up to Kshs 100,000,000 – board activities capped at the higher of 5% of the turnover or Kshs 4 million per annum
- b. Annual Turnover of up to Kshs 500,000,000 board activities capped at the higher of 2% of the turnover and Kshs 7 million per annum.
- c. Annual Turnover up to Kshs 1,000,000,000 board activities capped at the higher of 1% and 12m per annum.
- d. Annual Turnover above Kshs 1,000,000,000 board activities capped at a maximum of the higher of 1% and Kshs 12m per annum.

Tavevo Water and Sewerage Co. Ltd fall under annual turnover of over Kshs. 100,000,000 up to Kshs. 500,000,000.

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

9. Management Discussion and Analysis

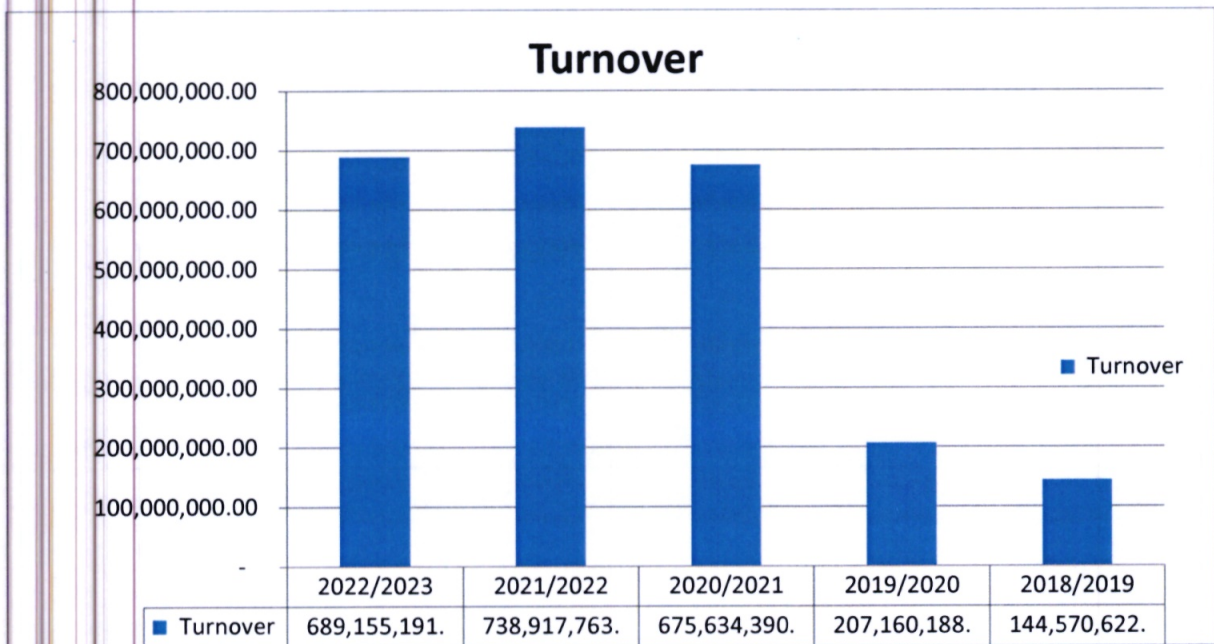
Introduction

Under this section Tavevo management wishes to summarise financial performance as stipulated in the below subcategories;

i. Annual Turnover

Tavevo management has seen continued increase in revenue over the last 5 years as summarised in the below graph;

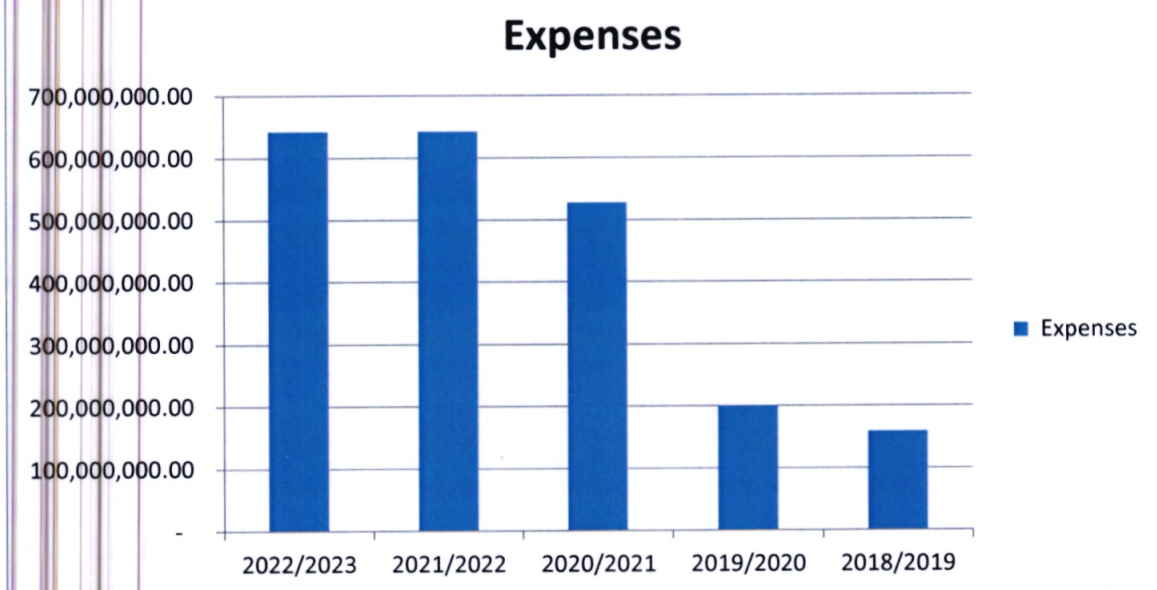
Important to note Tavevo has received massive support in grants from earlier mentioned development partners from the year 2020/2021.



ii. Expenses

The management of Tavevo Water and sewerage Company limited also has had a challenge in managing expenses especially operational costs due to challenges as addressed in the Chairman’s statement. Despite the challenges Tavevo continues to cater for its operational expenses.

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



Key Projects during the period

	Project	Status
i.	Water and Sanitation Development Project (W.S.D.P).Goods received during the year are as shown under the status.	<ul style="list-style-type: none"> i. Water supply Repair Kits. ii. Three Double cabin vehicles and 10 motorcycles. iii. 10,540 no. Consumer meters plus fittings. iv. Two Exhauster trucks and two Water Bowsers for Sanitation and water tracking services respectively. v. General ICT equipment. vi. Sanitation tools and equipment. <p>Works</p> <ul style="list-style-type: none"> vii. 8 No. Ablution blocks in Voi, Taveta, Mwatate, Wundanyi and Maungu towns-On going. viii. Combined waste water monitoring Laboratory at Voi Headquarters-On-going. ix. Storage Warehouse-On-going. x. New Office block-On-going. xi. Upgrade of water distribution systems in Voi, Wundanyi, Mwatate and Taveta towns.
ii.	Water Sector Trust Fund-The listed projects though on-going are as shown under the status.	<ul style="list-style-type: none"> iii. Nyangoro Maktau water project, iv. Up scaling basic sanitation for urban poor (U.B.S.U.P)

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

- | | |
|--|---|
| | <ul style="list-style-type: none"> v. Manga Bus park Public Sanitation Facility. vi. Kishushe Kishenyi water project vii. Wildlife support program |
|--|---|

10. Environmental And Sustainability Reporting

The Company remained a social responsible corporate citizen by conducting its business in a socially acceptable and responsible manner. The company contributed and participated in various forums at the County level that include;

1. Sustainability strategy and profile

- Strategic development partnerships with Water Sector Trust Fund, Water and Sanitation Development Project (W.S.D.P) through Ministry of Water & Sanitation, Taita Taveta County Government, Water Sector Trust Fund and Red cross Kenya. The above partnerships are bearing fruit through the various development projects as listed earlier in this report.
- Infrastructure development by extension of Water and sewerage systems through efficiency and responsive institutions.

2. Environmental Performance

Tavevo management has ensured continued adherence to environmental laws and policy as documented by the National Environmental Management Authority (N.E.M.A).

3. Employee Welfare

- The hiring process of Tavevo water and sewerage Co. Ltd is guided by the approved Human resource policy by Board of Directors. Tavevo is an equal opportunity employer. Management also gives high priority to staff training and capacity building as envisaged in the Company policy. Tavevo undertakes annual staff appraisal for staff and the same forwarded to the Board of Directors.

4. Market place practices

- Tavevo Water and Sewerage Company Limited have a zero tolerance to corruption policy and ensure all staff adheres to the same policy.
- All procurements by Tavevo are done fairly and on competitive basis as per the Public Procurement and Asset disposal act of 2015. Supplier payments are on first in first out basis.
- Every Kenyan has a right to access clean water. In light of this Tavevo continues to extend its services as close as possible to the residents of Taita Taveta.

5. Community Engagements

- Tavevo continues to reach out to communities and its clients on location by customer care clinics to solve their customer care queries. In addition Tavevo has continuously provided hand washing points with tanks during the Covid-19 pandemic for free across the Taita Taveta County Government.

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 the Company are provision of adequate and portable, safe, Piped Water and Sanitation Services to the residents of Taita Taveta County.

ii) Results

The results of the Company for the year ended June 30, 2023 are set out on page 1-6.

iii) Dividends

There were no dividends declared or issued during the reporting period.

iv) Directors

The members of the Board of Directors who served during the year are shown on page VI-VII In accordance with the company's Articles of Association.

v) Auditors

The Auditor General is responsible for the statutory audit of the Tavevo in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 of Tavevo for the year/period ended June 30, 2023 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Name: Junior Kiriga

Company Secretary/Secretary to the Board

Date: 20/02/2024

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

12. Statement Of Directors' Responsibilities

Section 81 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 Tavevo Water and Sewerage Company Limited, which give a true and fair view of the state of affairs of Tavevo Water and Sewerage Company Limited at the end of the financial year/period and the operating results of Tavevo Water and Sewerage Company Limited for that year/period. The Directors are also required to ensure that Tavevo Water and Sewerage Company Limited keeps proper accounting records which disclose with reasonable accuracy the financial position of Tavevo Water and Sewerage Company Limited. The Directors are also responsible for safeguarding the assets of Tavevo Water and Sewerage Company Limited.

The Directors are responsible for the preparation and presentation of Tavevo Water and Sewerage Company Limited financial statements, which give a true and fair view of the state of affairs of Tavevo Water and Sewerage Company Limited for and as at the end of the financial year (period) 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 Tavevo Water and Sewerage Company Limited ; (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 Tavevo Water and Sewerage Company Limited ; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for Tavevo Water and Sewerage Company Limited 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 and the State Corporations Act section 14. The Directors are of the opinion that Tavevo Water and Sewerage Company Limited financial statements give a true and fair view of the state of Tavevo Water and Sewerage Company Limited transactions during the financial year ended June 30, 2023, and of Tavevo Water and Sewerage Company Limited financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Tavevo Water and Sewerage Company Limited, which have been relied upon in the preparation of Tavevo Water and Sewerage Company Limited 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 Tavevo Water and Sewerage Company Limited will not remain a going concern for at least the next twelve months from the date of this statement.

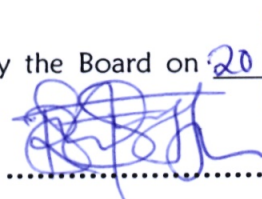
Approval of the financial statements

The company financial statements were approved by the Board on 20/02/ 2024 and signed on its behalf by:


.....

Name: Alex Mjomba

Chairperson of the Board

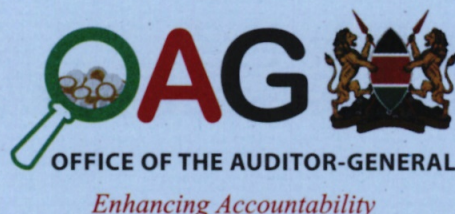

.....

Name: Rose M. Mbiko

Managing Director

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
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 TAVEVO WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

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

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 Tavevo Water and Sewerage Company Limited set out on pages 1 to 42, which comprise of 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 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 Tavevo Water and Sewerage Company Limited as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and do not comply with the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Material Uncertainty Related to Going Concern

The statement of financial position reflects current liabilities balance of Kshs.772,888,951 and current assets balance of Kshs.545,680,527 and resulting to a negative working capital of Kshs.227,208,424 (2022 - Kshs.163,634,869). The increasing negative working capital is an indication that the Company is insolvent and may not meet its obligations as and when they fall due.

The condition indicates the existence of a material uncertainty, which may cast doubt on the Company's ability to continue as a going concern and that the Company's existence is dependent on continued support from the County Government of Taita Taveta and creditors. Management did not disclose the measures being taken to mitigate this condition.

In the circumstances, the Company's ability to continue as a going concern could not be confirmed.

2. Unsupported Bank and Cash Balances

The statement of financial position and Note 20 to the financial statements reflect bank and cash balances of Kshs.125,759,662 which include an amount of Kshs.3,040,246 in respect of Posta pay and Kshs.79,101 on mobile money accounts. However, as previously reported, the balance was not supported with details of the account information, authority to operate the account, contract agreement for the service provision, bank reconciliations statements, bank statements and certificate of balance. Efforts to terminate the contract were unsuccessful. It was therefore not clear whether the operations of the account were within the controls and authority of the Company. No explanation was provided by Management as to why they were not in control of the account. Further, certificate of balance in support of the mobile money account balance of Kshs.79,101 was not provided for audit review.

In the circumstances, the accuracy and completeness of the balances totalling Kshs.3,119,347 on Posta pay and mobile accounts could not be confirmed.

3. Inaccuracies in Statement of Cashflows

Review of the cash flows statement for the year ended 30 June, 2023 noted the following anomalies:

- i. The statement of cashflows reflects staff costs payments of Kshs.103,990,407 while the statement of profit or loss and other comprehensive income indicates staff expenses amounting to Kshs.124,975,121 during the year resulting to a variance of Kshs.20,984,714 which was not explained or disclosed under staff payables.
- ii. The statement of cashflows reflects payments for general and operation expenses amounting to Kshs.173,334,891 while the statement of profit or loss and other comprehensive income indicates an amount of Kshs.422,130,181 resulting to a variance of Kshs.248,795,290 which was not explained or disclosed under other payables.
- iii. The statement of cashflows reflects receipts from customer deposits balance of Kshs.7,962,067 and refunds of Kshs.17,500, resulting to a net increase of Kshs.7,944,567. The statement of financial position reflects an increase of Kshs.4,490,825 resulting to a variance of 3,453,742 which was not explained or reconciled.
- iv. The statement of cashflows reflects purchase of property, plant and equipment balance of Kshs.246,780,929. However, the amount differs with additions of Kshs.251,999,915 as reflected in Note 15 to the financial statements in support of property, plant and equipment. No explanation was provided for the variance Kshs.5,218,986.

In the circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

4. Unexplained Variance in Customer Deposits

The statement of financial position and Note 27 to the financial statements reflects customers' deposits balance of Kshs.37,966,341. However, the bank statement closing balance for customer deposit bank account indicated a balance of Kshs.4,848,830 as at 30 June, 2023, resulting to a variance of Kshs.33,117,511 between the financial statements balance and the bank statement that was not explained or reconciled.

In the circumstances, the accuracy and completeness of the customer deposits balance of Kshs.37,966,341 could not be confirmed.

5. Long Outstanding Receivables

The statement of financial position reflects trade and other receivables totalling Kshs.341,145,064 as disclosed under Note 18 to the financial statements. However, the ageing analysis in support of the receivables balance was done up to those over 120 days and hence not possible to determine how much debt was owing annually over the previous years and how much was related to the current year. Further, the Company lacked a debt management policy to indicate actions to be taken for long

outstanding and doubtful debts and Management does not appear to have made any efforts to collect the receivables.

In the circumstances, the collectability and validity of the trade and other receivables balance of Kshs.341,145,064 is in doubt.

6. Unsupported Other Income

The statement of profit or loss and comprehensive income and Note 8 to the financial statements reflects a balance of Kshs.31,024,470 as other income which includes revenue collection for illegal connections, new connections and reconnection balances fees of Kshs.1,895,040, Kshs.4,043,995 and Kshs.1,930,800, respectively, all totalling Kshs.7,869,835. However, no list detailing the invoices charged totalling Kshs.7,869,835 was provided for audit review.

In the circumstances, the accuracy and completeness of other income balance of Kshs.7,869,835 could not be confirmed.

7. Variance in Coast Water Works Development Agency Payables

The statement of financial position and Note 25 to the financial statements reflects non-current liability due to Coast Water Works Development Agency (CWWDA) for lease fees. Balance of Kshs.129,397,816 as at 30 June, 2023. Additionally, disclosed under the statement of financial position and Note 26 to the financial statements is trade and other payables balance of Kshs.734,922,610 out of which an amount of Kshs.539,461,243 was due to CWWDA for bulk water supply as at 30 June, 2023, resulting to total amount payable to CWWDA of Kshs.668,859,059. However, the creditor (CWWDA) reported receivables balance of Kshs.776,226,904 as due from the Company as at 30 June, 2023. No reconciliation was provided for the variance of Kshs.107,367,845.

In the circumstances, the accuracy and completeness of Coast Water Works Development Agency payables balance of Kshs.668,859,059 could not be confirmed.

8. Undisclosed Property, Plant and Equipment

The statement of financial position and as disclosed in Note 15 to the financial statements reflects Kshs.622,479,655 as property, plant and equipment. However, the status of projects completion for the Company as reflected in the financial statements showed a project on WSTF-Maktau water project costing an amount of Kshs.93,283,564 that had been concluded during the year but had not been transferred to property, plant and equipment. No explanation was provided as to why the amount had not been transferred to property, plant and equipment. Additionally, no inventory document was provided in support of the assets that were handed over at the end of the project and included in the fixed asset register as required of Regulation 74(6)(b) of the Public Finance Management Regulations, 2015.

In the circumstances, the accuracy and completeness of Kshs.622,479,655 as property, plant and equipment could not be confirmed.

9. Bulk Water Fees on Estimated Bills

The statement of profit or loss and other comprehensive income and Note 10 financial statements reflects general and operations expenses amounting to Kshs.422,130,181 which include a balance of Kshs.100,617,720 on bulk water fees for water purchased from Coast Water Works Development Authority (CWWDA). This was as a result of billings on 5,030,881 cubic meters (m³) of water charged at Kshs.20 per m³ from CWWDA. However, from the sampled billings for the months of April and May, 2023, it was noted that bills of 447,023 m³ out of the total billings of 880,216 m³, or about 50% of the bills, were estimates since the meters were faulty. However, no report was provided on the damaged meters and response rate for the repairs.

In the circumstances, the accuracy and effectiveness in the management of expenses totalling Kshs.100, 617,720 could not be confirmed.

10. Staff Costs Paid Outside Payroll

The statement of profit or loss and other comprehensive income reflects staff costs amounting to Kshs.124,975,121 which includes salary balance of Kshs.86,617,699 and leave allowance Kshs.4,778,635, totalling Kshs.91,396,334.00 as disclosed in Note 9 to the financial statements. However, the total salary processed through the payroll was Kshs.87,307,428, indicating that salaries and leave allowances amounting to Kshs.4,088,906 were processed outside the payroll. Management explained that the payroll system had reached the maximum capacity of staff it can process and hence the reason why the excess staff payments were processed outside the payroll. However, the explanation was not supported with details of the total numbers of staff that can be paid through the payroll system and those paid outside.

In the circumstances, the validity of the salary payment outside the payroll of Kshs.4,088,906 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on comparable basis of Kshs.1,312,839,844 and Kshs.689,155,191 respectively, resulting in revenue shortfall of Kshs.623,684,653, or 47% of the budget. Similarly, the Company expended Kshs.894,846,124 against an approved budget of Kshs.1,215,708,633, resulting in an under expenditure of Kshs.320,862,509, or 26% of the budgeted amount.

The revenue shortfall and under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

My report is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Adverse Opinion section, I have determined that there were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Years Issues

The prior year audit issues remained unresolved as at 30 June, 2023. Management did not provide reasons for the delay in resolving the prior year issues.

Other Information

The Directors are responsible for the other information. The other information comprises the report of Directors as required by the Companies Act, 2015, and the statement of the Directors' responsibilities, which are obtained prior to the date of this report, and the annual report, which is expected to be made available after that date.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance thereon.

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 and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources 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

Lack of Gender Balance and Ethnic Diversity

Review of the Company staff revealed that one hundred and ninety-one (191) out of the two hundred and fifty-three (253), or 75%, staff were male which is above the recommendation contrary to Section B.22(2) of the Public Service Commission Human Resource Policies and Procedures Manual for the Public Service, 2016 which stipulate that the Government will endeavor to have a gender balanced civil service by ensuring that not more than two-thirds (2/3) of positions in its establishment are filled by either gender.

Further, one hundred and eighty-nine (189) out of the two hundred and fifty-three (253) Company staff (or 75%) were from the same ethnic group which is above what is required by Section 7(2) of the National Cohesion and Integration Act, 2008 which stipulates that no public establishment shall have more than one third of its staff from the same ethnic community.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE 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 section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, I report based on my audit, that:

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;
- (ii) In my opinion, proper books of account have not been kept by the Company, so far as appears from the examination of those records;
- (iii) The Company's financial statements are not in agreement with the accounting records and returns.

\

Responsibilities of Management and Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to 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 controls 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 controls 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 controls 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 controls.
- 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 method and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. 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 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

10 May, 2024

Tavevo Water and Sewerage 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	2022-2023	2021-2022
		Kshs	Kshs
Revenue			
Operating Revenue	6	289,929,037	259,350,715
Grants Income	7	368,201,684	449,909,428
Other Income	8	31,024,470	29,657,620
Total Revenue		689,155,191	738,917,763
Expenses			
Staff Costs	9	124,975,121	120,778,879
General and Operations expenses	10	422,130,181	417,466,909
Board Expenses	11	7,227,966	6,444,976
Maintenance Expenses	12	38,068,510	32,314,430
Depreciation and Amortization expenses	13	50,444,431	47,693,589
Total Expenses		642,846,209	624,698,783
Profit/(Loss) Before Taxation		46,308,982	114,218,980
Income Tax Expense/(Credit)	14	13,892,695	34,265,694
Profit/(Loss) After Taxation		32,416,288	79,953,286
Total Comprehensive Income for The Year		32,416,288	79,953,286

Note; Tavevo during the year 2022/2023 received grants amounting to Kshs. 368,201,684 which greatly influenced its profitability owing to the reporting framework provided by I.P.S.A.S. Most of the amount was for capital projects therefore not featured in the statement of profit or loss & other comprehensive

Tavevo Water and Sewerage 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
ASSETS			
Non-Current Assets			
Property, plant and equipment	15	622,479,655	421,694,246
Intangible assets	16	2,184,805	1,910,755
Total Non-Current Assets		624,664,460	423,605,001
Current Assets			
Inventories	17	75,875,861	-
Trade and other receivables	18	341,145,064	341,160,132
Short-term deposits	19	2,899,940	46,000
Bank and cash balances	20	125,759,662	159,544,572
Total Current Assets		545,680,527	500,750,704
Total Assets		1,170,344,987	924,355,704
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	21	100,000	100,000
Fair value adjustment reserve	22	97,214,636	97,214,636
Retained earnings	23	111,301,867	(10,843,976)
Capital and Reserves		208,616,503	86,470,660
Non-Current Liabilities			
Service Gratuity	24	59,441,716	44,101,655
Coast Water Works Development Agency-Lease fees	25	129,397,816	129,397,816
Total Non-Current Liabilities		188,839,532	173,499,471
Current Liabilities			
Trade and other payables	26	734,922,610	630,910,057
Customer deposits	27	37,966,341	33,475,516
Total Current Liabilities		772,888,951	664,385,573
TOTAL EQUITY AND LIABILITIES		1,170,344,987	924,355,704

The financial statements were approved by the Board on 20/02/2024 2024 and signed on its behalf by:



Name: Rose M. Mkasara
Managing Director



Name: Amina Suleiman
Head of Finance



Name: Alex Mjomba
Chairman of the Board

ICPAK M/No: 15011

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

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

	Ordinary share capital	Fair value adjustment reserve	Retained earnings	Total
At July 1, 2021	100,000	97,214,636	(125,062,956)	(27,748,320)
Total comprehensive income	-	-	114,218,980	114,218,980
Dividends paid-2019	-	-	-	-
Interim dividends paid – 2020	-	-	-	-
Proposed final dividends	-	-	-	-
At June 30, 2022	100,000	97,214,636	(10,843,976)	86,470,660
At July 1, 2022	100,000	97,214,636	(10,843,976)	86,470,660
Issue of new share capital	-	-	-	-
Total comprehensive income	-	-	46,308,982	46,308,982
Capital/Development grants received during the year	-	-	-	-
Dividends paid – 2020	-	-	-	-
Interim dividends paid – 2021	-	-	-	-
Proposed final dividends	-	-	-	-
Prior Year adjustments	-	-	75,836,861	(39,000)
At June 30, 2023	100,000	97,214,636	35,426,006	132,740,642

Note:

I. Prior year adjustment relates to;

I. Rent and rates expenses captured in the current period relating to 2021/2022 (May-June 2022) Kshs 39,000.

II. Inventory of consumables figure of Kshs. 75,875,861.

Tavevo Water and Sewerage 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
Cash Flows from Operating Activities			
Receipts			
Operating Receipts		316,407,614	348,733,998
Grants Income		368,201,684	449,909,428
Customer Deposits		7,962,067	1,639,000
Total Receipts		692,571,365	800,282,426
Payments			
Staff Costs		103,990,407	101,800,405
General And Operation Expenses		173,334,891	344,342,679
Board Expenses		7,227,966	6,444,976
Maintenance Expenses		35,068,510	25,304,430
Refund Of Customer Deposits		17,500	32,500
Total Payments		319,639,274	477,924,990
Net Cash From/ (Used In) Operating Activities	28	372,932,091	322,357,436
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)		(246,780,929)	(162,390,159)
Proceeds From Disposal Of PPE		-	-
Purchase Of Intangible Assets		(391,500)	(422,704)
Purchase Of Investment Property		-	-
Purchase Of Quoted Investments		-	-
Proceeds From Disposal of Quoted Investments		-	-
Net Cash From/ (Used In) Investing Activities		(247,172,429)	(162,812,863)
Cash Flows from Financing Activities			
Proceeds From Issues of New Share Capital		-	-
Proceeds From Borrowings		-	-
Repayment Of Borrowings		-	-
Dividends Paid		-	-
Net Cash From/(Used In) Financing Activities		-	-
Increase/(Decrease) In Cash and Cash Equivalents			
Cash And Cash Equivalents At Beginning Of Year	28	125,759,662	159,544,573
Effects Of Foreign Exchanges Rate Fluctuations		-	-
Cash And Cash Equivalents At End of the Year	28	125,759,662	159,544,573

Tavevo Water and Sewerage 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
	2022-2023	2022-2023	2022-2023	2022-2023		
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Operating Revenue	381,671,351	-	381,671,351	289,929,037	91,742,314	76%
Grants	899,589,233	-	899,589,233	368,201,684	531,387,549	41%
Other Income	32,059,260	(480,000)	31,579,260	31,024,470	554,790	98%
Total Revenue	1,313,319,844	(480,000)	1,312,839,844	689,155,191	623,684,653	
Expenses						
Staff Costs	144,275,587	(15,950,000)	128,325,587	124,975,121	3,350,466	97%
Board Expenses	6,446,047	-	6,446,047	7,227,966	(781,919)	112%
General and operations Expenses	197,610,435	409,316,220	606,926,655	422,130,181	184,796,474	70%
Maintenance expenses	31,201,161	(1,700,000)	29,501,161	38,068,510	(8,567,349)	129%
Depreciation and amortization	-	-	-	50,444,431	(50,444,431)	0%
Total Recurrent Expenditure	379,533,230	391,666,220	771,199,450	642,846,209	128,353,241	
Profit or Loss	933,786,614		541,640,394	46,308,982	495,331,412	
Capital Expenditure	9,742,626	434,766,557	444,509,183	251,999,915	192,509,268	57%
Total Expenditure	389,275,856	826,432,777	1,215,708,633	894,846,124		

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

Notes to Statement of budget and actual amounts for the period ended 30th June 2023

- I. *The capital expenditure figure of Kshs. 251,999,891 includes investments from donor grants apart from investment final budget of Kshs. 44,509,183 internal financing and Kshs. 400,000,000 donor funded.*
- II. *During the period under review the Board of directors had more activities than planned as stated below;*
 - a. *County assembly summons.*
 - b. *Senior staff shortlisting and interviews i.e., Human resource manager, ICT manager, Internal audit manager and Technical manager.*
 - c. *Public participation during Tariff review process.*
- III. *The General operations and expenses amount of Kshs. 422,130,181 includes expenses under W.S.D.P of Kshs. 168,755,313 leaving an internal operations amount of Kshs. Kshs. 253,374,868 catered for internally.*
- IV. *The adjustments to the budget were as a result of reallocations made by management through Board of directors.*

19. Notes To the Financial Statements

1. General Information

Tavevo Water and sewerage Co. Ltd is established by and derives its authority and accountability from Companies Act. The entity is wholly owned by the County Government of Taita Taveta and is domiciled in Taita Taveta. The entity's principal activity is to provide adequate portable piped water and sanitation services to residents of Taita Taveta.

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 Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies.

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

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

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

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)	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. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.	Effective for annual periods beginning on or after 1 st January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	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.	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)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.	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)	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.	The amendments are effective for annual periods beginning on or after January 1, 2023.

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 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.*

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. 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 amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

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

Title	Description	Effective Date
	the entity complying with conditions specified in the loan arrangement.	

(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).

iii. Early adoption of standards

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

Notes to the financial statements (continued)

4. Summary of Accounting Policies

a.) Revenue recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the Tavevo water and sewerage Co. Ltd and the revenue can be reliably measured. Revenue is recognized 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 Tavevo water and sewerage Co. Ltd delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognized in the year in which the funds are actually received. 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 lease agreements.
- vi) **Other income** is recognized as it accrues.

b.) In kind contributions

During the reporting period Tavevo did not receive any in-kind contributions or donations.

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-evaluation 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 Significant Accounting Policies

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 recognized in profit or loss in the income statement.

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 costs of on-going 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 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:

Plant and machinery	12.5%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%
Intangible assets	30%
Buildings	2.5%
Water distribution systems	2.5%

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

e. Intangible assets.

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

f. Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an

Notes to the financial statements (continued)

Summary of Significant Accounting Policies

impairment loss is recognised so that the asset is written down immediately 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 is 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 on DE recognition 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.

h. Right of use of 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 consolidated statement of financial position.

Notes to the financial statements (continued)

Summary of Significant Accounting Policies

i. Fixed interest investments(bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (C.B.K) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

j. Quoted investments

There were no quoted investments for Tavevo water and sewerage Co. Ltd.

k. Unquoted investments

There were no quoted investments for Tavevo water and sewerage Co. Ltd.

l. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, directs 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. 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 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.

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 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.

Notes to the financial statements (continued)

Summary of Significant Accounting Policies

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.

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.

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 Significant Accounting Policies

q. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash Imprests and advances to authorized public officers which were not surrendered or accounted for at the end of the financial year.

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 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.

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 *company* or not, less any payments made to the suppliers.

t. Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2012. The scheme is administered by a registered fund Manager 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.200 per employee per month.

Notes to the financial statements (continued)

Summary of Significant Accounting Policies

u. Provision for staff Leave

Employees' entitlements to annual leave are recognised as they accrue at the employees. The total leave cost is captured at the reporting date

v. Exchange rate difference

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Tavevo did not undertake any transactions in foreign currency.

w. Budget information

The original budget for FY 2021-2022 was approved by the Board of directors on 21-06-2022. 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 entity recorded additional appropriations on the 2021-2022 budgets following the Board of director's approval.

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.

Notes to the financial statements (continued)

Summary of Significant Accounting Policies

a. Service Concession arrangements

The Entity 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 Entity 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 Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

b. Comparative figures

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

c. 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, 2022.

d. Fair value adjustment reserve

The fair value adjustment reserve relates to assets handed over from Coast Water Works Development Agency during formation of Tavevo water and sewerage Company. Details of the same are still scanty from the handover in the year 2006.

5. Significant judgements and sources of Estimation Uncertainty

The preparation of the Entity'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

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

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 Significant 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 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.

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 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

c) Provisions

Provisions were not issued during the period under review.

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

Notes to the financial statements (continued)

6. Operating Revenue

	2022-2023	2021-2022
	Kshs	Kshs
Water sale	277,466,475	247,082,575
Meter rent	12,462,562	12,268,140
Total	289,929,037	259,350,715

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

7. Grants Income

	2022-2023	2021-2022
	Kshs	Kshs
Water Sanitation Development Project (I.D.A) Funding Through County Government	304,908,556	415,349,975
Water Sector Trust Fund UBSUP Mwatate	-	-
Water Sector Trust Fund Kishushe Kishenyi water project	60,726,552	-
Water Sector Trust Fund- Conditional Liquidity Support Grant	-	32,427,518
Water Sector Trust Fund- Manga Public sanitation facility	2,566,576	-
Water Sector Trust Fund- Maktau Public Sanitation Facility	-	2,131,935
Total	368,201,684	449,909,428

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

Notes to the financial statements (continued)

8. Other Income

	2022-2023	2021-2022
Description	Kshs	Kshs
Bowser	15,004,740	13,260,440
Drilling Rig Income	2,934,100	-
Exhauster Services	2,531,000	3,555,970
Illegal Connections	1,895,040	704,510
Meter Replacement	110,410	70,600
New Connection	4,043,995	5,002,500
Payroll Recoveries	-	396,000
Public sanitation facility	2,574,385	-
Reconnection fees	1,930,800	6,667,600
Total	31,024,470	29,657,620

9. Staff Costs

	2022-2023	2021-2022
Description	Kshs	Kshs
Salary	86,617,699	85,614,786
Leave allowance	4,778,635	4,450,875
Gratuity/Pension	17,072,028	17,324,270
Pension arrears	-	-
Casual wages	15,015,839	11,999,460
Training expenses	562,220	1,263,488
Staff medical	-	-
Recruitment cost	928,700	126,000
Total	124,975,121	120,778,879
The average number of employees during the year	252	246
Permanent employees – Management	1	-
Permanent employees – Unionisable	16	14
Temporary and contracted employees	235	232
Total	252	246

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

Notes to the financial statements (continued)

10. General and Operations Expenses

	2022-2023	2021-2022
Description	Kshs	Kshs
Abstraction fees	5,189,426	1,855,800
Advertising & Awareness	1,020,146	661,734
Airtime Allowance	2,431,400	2,600,700
Awards to retired staff	-	10,000
Bank Commission & charges	2,125,833	3,068,069
Bulk water fees	100,617,720	82,418,200
Burial expenses	204,200	87,000
Commercial Monitoring & evaluation	-	170,250
Consultancy	1,499,300	120,000
Contracted Guards	7,411,800	6,105,600
Corporate social responsibility	60,000	216,500
Customer care & public relation	673,832	735,575
Electricity	63,328,094	57,721,169
End year gift vouchers	786,000	-
Entertainment & Office meals	1,706,600	1,445,010
Fuel oils & lubricants	17,849,516	19,356,022
Hire of transport plant & equipment	37,200	275,200
Insurance costs	965,245	1,545,252
Internet & website expenses	1,809,914	1,969,687
KRA Bills	1,752,478	67,535
Legal fees	970,284	-
Managing Directors office	-	3,710
Membership fees	419,560	146,600
Newspapers	28,770	42,020
Office & general	3,630,010	3,513,092
Postal services	61,865	66,740
Provision of Audit fees	464,000	464,000
Publishing & printing	112,500	38,060
Payroll recoveries-Overstated	48,000	-
Rent & rates	555,000	409,200
Staff Uniforms	14,000	750,410

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

Notes to the financial statements (continued)

General and Operations Expenses (continued)

	2022-2023	2021-2022
Description	Kshs	Kshs
Transportation, travelling and subsistence	22,183,694	29,874,199
W.S.D.P Expenses	168,755,313	182,421,901
W.a.s.c.o games	-	721,600
Wasreb Levy	11,597,161	11,574,164
WSTF-Community led total sanitation	70,000	-
Water treatment	3,751,320	6,762,209
World Water day	-	249,700
Total	422,130,181	417,466,909

11. Board Expenses

	2022-2023	2021-2022
Description	Kshs	Kshs
Chairman's Honoraria	840,000	770,000
Board of Directors Airtime	301,000	301,000
Other Directors allowances	6,086,966	5,373,976
Total Board Expenses	7,227,966	6,444,976

12. Maintenance Expenses

	2022-2023	2021-2022
Description	Kshs	Kshs
Refurbishment & maintenance of assets	1,028,608	869,694
Electro-mechanical	2,090,001	1,893,570
Maintenance of water supplies	20,334,084	18,387,159
Maintenance of motor vehicles	11,372,120	7,990,407
SMS Billing & maintenance	2,957,742	2,041,050
ICT equipment & software maintenance	285,955	1,132,550
Total Maintenance Expenses	38,068,510	32,314,430

Notes to the financial statements continued

13. Depreciation and Amortization Expenses

	2022-2023	2021-2022
Description	Kshs	Kshs
Property, plant and equipment	50,326,981	47,566,778
Intangible assets	117,450	126,811
Total Depreciation and Amortization	50,444,431	47,693,589

14. Income Tax Expense/(Credit)

Current taxation

	2022-2023	2021-2022
	Kshs	Kshs
Profit/Loss before taxation	46,308,982	114,218,980
Tax at the applicable tax rate of 30%	13,892,695	34,265,694
Current tax		
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	-	-
Deferred tax prior year over-provision	-	-
Total	32,416,288	79,953,286
	=====	=====

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

Notes to the financial statements continued

Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit

	2022-2023	2021-2022
	Kshs	Kshs
Profit/Loss before taxation	46,308,982	114,218,980
Tax at the applicable tax rate of 30%	13,892,695	34,265,694
Current tax		
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	-	-
Deferred tax prior year over-provision	-	-
Total	32,416,288	79,953,286
	=====	=====

No Tax was paid at the end of the period since profit is attributed to the donor support for capital projects undertaken during the year.

Notes to the financial statements (continued)

15. Property, Plant and Equipment

	Computers	Plant and Machinery	Meters	Furniture & Fittings	Office equipment	Buildings	Water distribution systems	Motor Vehicles/Cycles	Capital work in Progress	Total Tangible assets
	30%	12.5%	12.5%	12.5%	12.5%	2.5%	2.5%	25%		
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost/valuation										
As at 1-07-2021	8,206,469	21,431,315	125,749,641	3,539,125	5,945,705	5,406,281	38,193,107	84,920,000	77,322,326	370,713,969
Additions 21/22	891,500	10,375,167	-	147,750	701,116	2,836,347	142,807,824	1,050,000	20,675,017	179,484,721
Reclassification to Buildings	-	-	-	-	-	3,580,455	-	-	(3,580,455)	-
As at 1-07-2022	9,097,969	31,806,482	125,749,641	3,686,875	6,646,821	11,823,083	181,000,931	85,970,000	94,416,888	550,198,690
Additions 22/23	-	3,457,032	-	145,400	-	-	-	-	248,397,483	251,999,915
Overstated Water distribution year 2021/2022	-	-	-	-	-	-	(887,524)	-	-	(887,524)
Reclassification to Water distribution	-	-	-	-	-	-	93,283,564	-	(93,283,564)	-
As at 30-06-2023	9,097,969	35,263,514	125,749,641	3,832,275	6,646,821	11,823,083	273,396,970	85,970,000	249,530,807	801,311,080
Depreciation										
As at 1-07-2022	7,043,718	9,765,487	51,115,629	3,159,630	4,225,044	965,037	8,702,399	43,527,500	-	128,504,444
Charge for the year 2023	267,450	4,407,939	15,718,705	479,034	830,853	295,577	6,834,923	21,492,500	-	50,326,981
As at 30-06-2023	7,311,168	14,173,426	66,834,334	3,638,664	5,055,897	1,260,614	15,537,322	65,020,000	-	178,831,425
NBV at 30.06.2023	1,786,801	21,090,088	58,915,307	193,611	1,590,924	10,562,469	257,859,648	20,950,000	249,530,807	622,479,655
NBV at 30.06.2022	2,054,251	22,040,995	74,634,012	527,245	2,421,777	10,858,046	172,298,532	42,442,500	94,416,888	421,694,246

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

Notes to the financial statements (continued)

15. (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows;

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land & Buildings	11,823,083	1,260,614	10,562,469
Plant and machinery	35,263,514	14,173,426	21,090,088
Motor vehicles, including motorcycles	85,970,000	65,020,000	20,950,000
Computers and related equipment	9,097,969	7,311,168	1,786,801
Office equipment, furniture, and fittings	6,646,821	5,055,897	1,590,924
Meters	125,749,641	66,834,334	58,915,307
Furniture & Fittings	3,832,275	3,638,664	193,611
Water distribution systems	273,396,970	15,537,322	257,859,648
Capital work in Progress	249,530,807	-	249,530,807
TOTAL	801,311,080	178,831,425	622,479,655

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

Notes to the financial statements (continued)

16. Intangible Assets

	2022-2023	2021-2022
	Kshs	Kshs
COST		
At July 1	6,207,670.00	5,784,966.00
Additions	391,500.00	422,704.00
Transfer to investment property	-	-
Disposals	-	-
At June 30	6,599,170	6,207,670
AMORTISATION		
At July 1	(4,296,915)	(4,170,104)
Charge for the year	(117,450)	(126,811)
Transfer to investment property	-	-
Disposals	-	-
At June 30	(4,414,365)	(4,296,915)
NET BOOK VALUE		
At June 30	2,184,805	1,910,755
	=====	=====

17. Inventories

Description	2022-2023	2021-2022
	Kshs	Kshs
Assets	46,555,460	-
Consumables	75,875,861	-
Less: Impairment of Stocks	-	-
Total	122,431,321	-

Note: As for stock every delivery is captured in full and expensed or capitalised respectively at point of receipt. All assets have been reported under Property, plant and equipment and depreciated respectively as all consumables have been captured under current assets as required.

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

Notes to the financial statements (continued)

18. (a) Trade and Other Receivables

	2022-2023	2021-2022
	Kshs	Kshs
Trade receivables (note 18(b))	335,344,260	332,848,731
Deposits and prepayments	-	-
Staff receivables (note 18 (c))	992,186	2,466,062
Taita Taveta County receivable	3,878,616	3,828,616
BOD Receivable	240,728	240,728
Staff Imprest	638,662	1,725,384
Kenya Commercial Bank	18,150	18,150
Pan-African Insurance co. Ltd	<u>32,461</u>	<u>32,461</u>
Gross trade and other receivables	341,145,063	341,160,132
Provision for bad and doubtful receivable	-	-
Net trade and other receivables	341,145,063	341,160,132
	=====	=====

18. (b) Trade Receivables

	2022-2023	2021-2022
	Kshs	Kshs
Gross trade receivables	335,344,260	332,848,731
Provision for doubtful receivables	-	-
	335,344,260	332,848,731
	=====	=====
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	13,413,770	13,529,157
Between 30 and 60 days	10,060,328	9,407,045
Between 61 and 90 days	6,706,885	7,845,855
Between 91 and 120 days	16,767,213	16,001,746
Over 120 days	288,396,064	286,064,928
	335,344,260	332,848,731
	=====	=====

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

Notes to the financial statements (continued)

18. (c) Staff Receivables

	2022-2023	2021-2022
	Kshs	Kshs
Gross staff advances	992,186	2,466,062
Provision for impairment loss	-	-
Net staff advances	992,186	2,466,062
Less: Amounts due within one year	992,186	2,466,062
Amounts due after one year	-	-
	=====	=====

19. Short Term Deposits

	2022-2023	2021-2022
	Kshs	Kshs
Deposit receivable - Rented property	46,000	46,000
Wasreb Performance guarantee-Cash collateral	2,853,940	-
Total	2,899,940	46,000

Deposits relate to rented/leased premises used in our MacKinnon, Mwatate and Maungu branch offices.

Wasreb performance guarantee is cash collateral that was provided for Wasreb guarantee at Co-operative bank Kenya.

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

Notes to the financial statements (continued)

20. Bank and Cash Balances

	2022-2023	2021-2022
	Kshs	Kshs
Current Accounts	9,264,835	8,216,959
Mobile money accounts	79,101	1,126,894
Project accounts	116,415,726	150,200,423
Cash in Hand	-	295
Total	125,759,662	159,544,572
	=====	=====

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

Notes to the financial statements (continued)

Detailed analysis of the cash and cash equivalents

	2022-2023	2021-2022
	Kshs	Kshs
a). Current Accounts		
Co-operative Bank - Customer deposit a/c 01136220957300	4,848,830	1,115,257
KCB-collection a/c-1108161227	972,120	1,155,979
KCB-expenditure a/c-1108161332	199,382	2,853,422
Co-operative Bank - Drilling Rig a/c 01141220957305	204,256	-
Posta Pay	3,040,246	3,092,301
Sub-Total	9,264,835	8,216,959
b). Mobile money accounts		
M-PESA Paybill-913350	79,101	1,126,894
Sub-Total	79,101	1,126,894
(c). Project accounts		
K.C.B. WSDP a/c 1242765387	53,685,756	147,616,207
K.C.B WSTF Maktau a/c 1261146727	-	2,465
KCB W.S.T.F UBSUP a/c 1268029874	106,517	2,339,219
Co-operative Bank - ARAP a/c 01141220957302	119,994	242,415
K.C.B WSTF C.L.S.G a/c 1282488406	4,626	116
Co-operative Bank - W.S.T.F Kishenyi kishushe a/c01141220957304	60,408,727	-
Co-operative Bank -W.S.T.F P.S.F Manga a/c 01141220957303	2,090,105	-
Sub-Total	116,415,726	150,200,423
(d). Cash in Hand		
Cash in Hand-Cashier	-	295
Sub-Total	-	295
Grand Total	125,759,662	159,544,572

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

Notes to the financial statements (continued)

21. Ordinary Share Capital

	2022-2023	2021-2022
	Kshs	Kshs
1,000 ordinary shares of Kshs. 100/= par value each	100,000	100,000

22. Fair Value Adjustment Reserve

	2022-2023	2021-2022
	Kshs	Kshs
Fair value adjustment reserve	97,214,636	97,214,636

23. Retained Earnings

	2022-2023	2021-2022
	Kshs	Kshs
Retained earnings	111,301,867	(10,843,976)

24. Service Gratuity

	2022-2023	2021-2022
	Kshs	Kshs
Service Gratuity	59,441,716	44,101,656

25. Coast Water works Development Agency-Lease fees

	2022-2023	2021-2022
	Kshs	Kshs
Coast Water Works Development Agency-Lease fees	129,397,816	129,397,816

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

Notes to the financial statements (continued)

26. Trade and other payables

	2022-2023	2021-2022
	Kshs	Kshs
Coast Water Works Development Agency Bulk water supply	539,461,243	470,843,523
Other payables	164,543,375	126,102,982
KENAO fees	6,252,000	5,788,000
KPLC	3,542,747	7,554,482
Payroll Liabilities	20,984,714	15,517,172
KCB payable	76,606	5,076,606
Staff Payables	61,924	27,292
Total	734,922,610	630,910,057

NB: Staff payables figure (Kshs. 61,924) includes staff imprest payable Kshs. 16,887 and staff debt payable of Kshs. 45,037.

	2022-2023	% of the total	2022-2023	% of the total
	Kshs		Kshs	
Under one year	37,361,840	5%	37,361,840	6%
1-2 years	161,566,103	22%	161,566,103	26%
2-3 years	117,053,591	16%	117,053,591	19%
Over 3 years	418,941,076	57%	314,928,523	50%
Total	734,922,610	100%	630,910,057	100%

27. Customer Deposit

	2022-2023	2021-2022
	Kshs	Kshs
Opening Balance	33,475,516	28,015,406
Add: deposits received during the year	4,508,325	5,492,610
Less: Refunded deposits during the year	(17,500)	(32,500)
Closing balance	37,966,341	33,475,516
Total	37,966,341	33,475,516

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

Notes to the financial statements (continued)

28. Notes to The Statement of Cash Flows

	2022-2023	2021-2022
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	46,308,982	114,218,980
Depreciation	50,326,981	47,566,778
Amortization	117,450	126,811
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	96,753,413	161,912,569
Working capital changes:		
(Increase)/decrease in inventories		
(Increase)/decrease in trade and other receivables	(15,069.00)	13,757,120.00
Increase/(decrease) in trade and other payables	104,012,553.10	103,226,910.00
Increase/(decrease) in Gratuity payable	15,340,060.80	15,305,637.00
Increase/(decrease) in Customer deposit	4,490,825.00	5,460,110.00
Cash generated from/ (used in) operation	220,581,783.22	299,662,345.69
(b) Analysis of changes in loans	-	-
(c) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	125,759,662	159,544,277
Cash in hand	-	295
Balance at end of the year	125,759,662	159,544,572
(d) Analysis of interest paid	-	-
(e) Analysis of dividend paid	-	-

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

Notes to the financial statements (continued)

Other Disclosures

29. Related Party Disclosures

County Government of Taita Taveta

The County Government of Taita Taveta is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of Taita Taveta 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 Taita Taveta
- Coast Water works Development Agency
- W.A.S.R.E.B (Water Services Regulatory Board)
- W.A.R.M.A
- Water Sector Trust Fund
- Key management
- Board of directors
- Others (specify)

Transactions with related parties

	2022-2023	2021-2022
	Kshs	Kshs
a.) Purchases from related parties		
Purchase of water from C.W.W.D.A	100,617,720	82,418,200
Total	100,617,720	82,418,200
b.) Key management compensation		
Directors' emoluments	7,227,966	6,444,976
Total	7,227,966	6,444,976

Notes to the financial statements (continued)

30. Incorporation

Tavevo water and sewerage Co. Ltd in Kenya under the Kenyan companies Act and is domiciled in Kenya.

31. Events After the Reporting Period

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

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

20. Appendices

Appendix 1: progress on follow up of auditor recommendations.

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Unsupported Cash and Bank Balances	Management held a joint reconciliation with Posta Kenya and received documentation from Posta Kenya. What remains is to confirm remittances from Posta to enable closure of the issue.	Resolved	31/12/2023
2.	Unsupported Customer Deposits	Previously all collections were consolidated in the main collection account held at K.C.B 1108161227. Due to cash flow shortage facing the company all funds were utilized through the Company operations account at K.C.B Voi a/c 1108161332 we were unable transfer the same to the designated Co-operative account due to strain in cash flow. The bank balance has however improved from Kshs. 1,115,265 to Kshs. 4,824,060. The management will need ample time to pay back the arrears owed to the account.	Not resolved	30/6/2025

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

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)
3.	Unexplained Loss of Revenue	<p>Management has noted the above finding and has implemented measures to ensure the same is reduced to WASREB's allowable limit of 25%.</p> <p>It is also not worthy that the non-Revenue water has reduced from a high of 38% in the year 2019/2020 to 36% in the current year 2021/2022.</p>	Not resolved	30/06/2024
4.	Unexplained Variance in Coast Water Works Development Agency	Management has done a joint reconciliation with CWWDA and is awaiting key documentation from CWWDA to conclude on some of the matters.	Not resolved	31/12/2023
5.	Long Outstanding Receivables	Management noted the issue however it is unable to write off long outstanding receivables until a proper survey is conducted on status of receivables.	Not resolved	31/12/2023
	Other Matter			
1.	Budgetary Control and Performance	Management has tried to formulate as realistic budgets as possible especially donor funded projects. Where the full amounts disbursed depend on the fully on the donors and not	Resolved	30/06/2023

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

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)
		management.		
2.	Unresolved Prior Year Matters	Management has noted this and resolved the same from the current period report for the year ended 30 th June 2023.	Resolved	31/12/2023
	Basis for conclusion			
1.	Irregular Management of Imprests	Management has resolved the matter and recovered the staff outstanding imprests. Long outstanding imprests will be recovered in September 2023.	Resolved	31/12/2023
2.	Irregular Payment of Airtime Allowances	Management has incorporated the same in the newly revised Human resource policy set to be approved by the Board of directors	Resolved	31/12/2023
2.	Lack of Approved Strategic Plan	Management has in place an approved 10year strategic plan	Resolved	30/06/2023
3.	Lack of an Approved Staff Establishment	Management has an approved staff establishment. Approved by the Board of directors	Resolved	31/12/2023
4.	Non-Adherence to Human Resource Policy.	Management resolved the matter and have newly appointed Internal Audit Manager and Human resource manager.	Resolved	31/12/2023

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

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)
5.	Failure to Insure Company Assets	Management has noted the same which came up as a result of cashflow challenges facing the company. However management will move to insure the asset.	Not resolved	31/12/2023
6.	Excess Board Committees Membership and Sittings	Management raised this concern with Board of directors and the anomalies have since been corrected.	Resolved	31/12/2023

Name: ROSE MBIKO
 Signature: 
 Managing Director
 Date: 20/2/24

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 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)
Water Sanitation Development Project (I.D.A) Funding Through County Government	IDA Credit no. 60300	World Bank	5 years	20/05/2019	Yes	Yes
Water Sector Trust Fund UBSUP Mwatate	02HS/CWW/DA/TAITA TAVETA/TA VEVO/012	W.S.T.F	12 months	11/12/2019	Yes	Yes
Water Sector Trust Fund Wildlife support program	RUP/CPI/III/W/006/059	W.S.T.F	12 months	11/12/2019	Yes	Yes
Water Sector Trust Fund- Manga PSF	RUP/CPI/II/S/006/031	W.S.T.F	12 months	23/02/2022	Yes	Yes
Water Sector Trust Fund-Kishenyi Kishushe water project	RUP/CPI/II/W/006/037	W.S.T.F	12 months	23/02/2022	Yes	Yes

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

Status of Projects completion

Project	Total project Cost	Total expended to date	Completi on % to date	Budget	Actual	Sources of funds
Water Sanitation Development Project (I.D.A) Funding Through County Government	2,500,000,000	1,014,322,655	11%	2,500,000,000	2,500,000,000	Word Bank IDA
Water Sector Trust Fund UBSUP Mwatate	17,214,223	7,013,210	41%	17,214,223	17,214,223	W.S.T.F
Water Sector Trust Fund Wildlife support program	17,167,322	-	100%	798,340	798,340	W.S.T.F
Water Sector Trust Fund- Manga PSF	5,808,548	1,793,471	31%	5,717,833	5,717,833	W.S.T.F
Water Sector Trust Fund-Maktau water project	93,283,564	93,283,564	100%	93,283,564	93,283,564	W.S.T.F
Water Sector Trust Fund-Kishenyi Kishushe water project	87,521,466	317,825	1%	87,521,466	87,521,466	W.S.T.F

