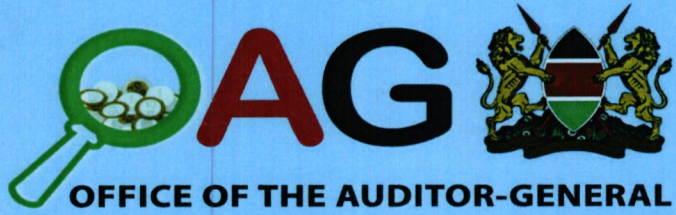


scanned

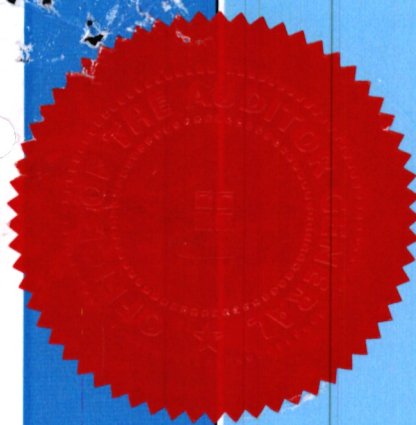


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



		PAPERS LAID
DATE	10/11/2022	
TABLED BY	Sen. Agency Whip	
COMMITTEE		
CLERK AT THE TABLE	S. Nyata	

REPORT

OF

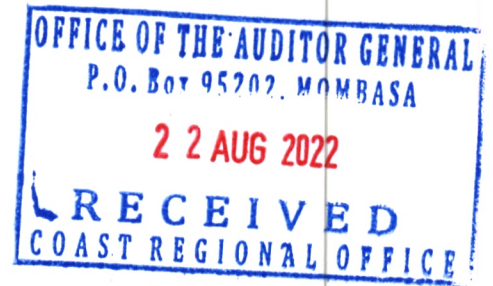
THE AUDITOR-GENERAL

ON

**TAVEVO WATER AND SEWERAGE
COMPANY LIMITED**

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





TAVEVO WATER AND SEWERAGE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

30TH JUNE 2021

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

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

Table of Contents	Page
1. KEY ENTITY INFORMATION AND MANAGEMENT	ii
2. THE BOARD OF DIRECTORS	v
3. MANAGEMENT TEAM	vii
4. CHAIRMAN'S STATEMENT	ix
5. REPORT OF THE MANAGING DIRECTOR	xii
7. CORPORATE GOVERNANCE STATEMENT	xv
8. MANAGEMENT DISCUSSION AND ANALYSIS	xviii
9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING	xx
10. REPORT OF THE DIRECTORS	xxi
11. STATEMENT OF DIRECTORS' RESPONSIBILITIES	xxii
12. REPORT OF THE INDEPENDENT AUDITOR FOR THE FINANCIAL STATEMENTS OF TAVEVO WATER AND SEWERAGE CO. LTD.	xxiii
13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021	1
14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021	2
15. STATEMENT OF CHANGES IN NET ASSETS	3
16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021	4
17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021	5
18. NOTES TO THE FINANCIAL STATEMENTS	10
APPENDIX	30

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) 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 (WASREB) as a Water Service Provider (WSP) 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.

(b) 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.

(c) Key Management

Tavevo's day-to-day management is under the following key organs:

- The Board of Directors.
- The Managing Director.
- The Heads of Department.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. Managing Director	Eng. David Ndurya left 31 st December 2020
2.	Managing Director	Mr. Richard Ngwatu appointed 1 st January 2021
3.	Head of Finance	Mr. Laban Kinyai
4.	Head of Procurement	Mr. Benedict Nzuve
5.	Head of Technical services	Eng. Patrick Wadu
6.	Head of Business Development	Mr. Richard Kibengo
7.	Ag. Human Resource Manager	Mrs. Getura Mghono
8	Ag. Internal Auditor	Mr. Henry Mutiso

(e) Fiduciary Oversight Arrangements

- Audit and Risk Committee Board of Directors.
- Finance and Technical committee Board of Directors.
- Human resource committee.
- Taita Taveta County Government.
- Water Sector Trust Fund.
- Ministry of Water and Sanitation (W.S.D.P).

(f) Entity Headquarters

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

(g) Entity Contacts

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

(h) Entity 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.
3. Equity Bank Kenya,
Opposite Voi Bus park,
P.O. Box 325-80300,
Voi Town, Kenya.
4. Post Bank Kenya,
Opposite Magamba plaza,
Next to K.P.L.C Voi offices,
Voi Town branch.

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

(i) Independent Auditors






- Auditor General.
Office of the Auditor General,
Anniversary Towers, University Way,
P.O. Box 30084-0100
Nairobi, Kenya

(j) Principal Legal Adviser




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 Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

2. THE BOARD OF DIRECTORS

PHOTO	NAME/POSITION	QUALIFICATION
	<p>Mr Houghton Mombo Chairman Board of Directors From 29th May 2020 to date.</p>	<p>Executive MBA. Bachelor of Technology (Electrical & Electronics) Telecommunications.</p>
	<p>Mr. Elistone Mwamungu Mwanyuma - Member from 15-3-2018 to date.</p>	<p>Special Group. Representative of People living with disabilities.</p>
	<p>Joyce K. Mwachia Member from 29th May 2020 Ag. County Chief Officer Finance and Planning Taita Taveta County</p>	<p>Master of Business Administration</p>
	<p>Mrs. Ruth Lelewu Member from 29th May 2020 Chairperson-Finance Committee</p>	<p>Bachelor of Commerce (Marketing Option).</p>
	<p>Mr John Bwire Member from 29th May 2020 Chairman- Human Resource Committee</p>	<p>Post graduate diploma advocates training program (Kenya school of law) Bachelor of Law degree (LLB)</p>

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

	<p>Rev. Silvanus Mwakoma Member from 29th October 2019.</p>	<p>County Chief Officer Water & Sanitation Taita Taveta County Government.</p>
	<p>Ms Agnes Mwas –Member From 15-3-2018 to date. Chairperson-Audit Committee</p>	<p>Business Lady.</p>
	<p>Engineer David N. Ndurya Ag. Managing Director from 1st January 2020 to 31st December 2021</p>	<p>BSc. Civil Engineering Masters in project Management</p>
	<p>Mr Richard Ngwatu Managing Director from 1st January 2021 to date.</p>	<p>Bachelor of Economics and Business Management Master of Economics (Economics and Business Management)</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>

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

3. MANAGEMENT TEAM

Photo	Name	Qualification
	Engineer David Ndurya Ag. Managing Director from 1 st January 2020 to 31 st December 2020	BSc. Civil Engineering Masters in project management PHD on-going.
	Mr Richard Ngwatu Managing Director from 1 st January 2021 to date.	Master of Economics (Economics and Business Management) Bachelor of Economics and Business Management
	Mr Justus Munyithya Company Secretary.	Kioko Munyithya Ngugi & Co. Advocates, Advocate/CPS (K), LLM, LL.B. I.C.P.S.K membership number – P/CPSB/1434
	Mr Laban Mbelenga Kinyai Head of Finance	MBA Finance Bachelor of Commerce (Accounting) CPA (K). ICPAK M/no. 18867
	Engineer Patrick Mwangoe Wadu. Head of Technical Services.	BSc. Water Engineering.

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

	<p>Mr Richard W. Kibengo Head of Business Development From February 2020.</p>	<p>MBA Marketing Bachelor of commerce (Marketing).</p>
	<p>Mr Henry Mutiso Mutinda Ag. Internal Audit Manager</p>	<p>C.P.A 3</p>
	<p>Mrs Getura Mghono Ag. Human Resource Manager.</p>	<p>Bachelor of Commerce- Human Resource option</p>

4. CHAIRMAN'S STATEMENT

It is now 15 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. We have received a number of goods through the above mentioned project as listed below:

- 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.

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.
- 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:

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

- i. Nyangoro Maktau water project,
- ii. Community Led total sanitation (C.L.T.S)
- iii. Up scaling basic sanitation for urban poor (U.B.S.U.P)
- iv. Maktau Bus park Public Sanitation Facility.
- v. Conditional Liquidity Support Grant.

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

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 have been left behind with 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.

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 37% against a national average of 54.6%. This is an improvement compared to the previous financial year at 38%.

However, 37% 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 Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

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:

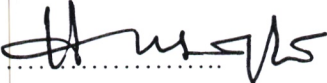
1. High cost of electricity due to pumping cost and topography of Taita Taveta.
2. High Operational Costs due to old and dilapidated infrastructure.
3. Low water Supply Coverage especially in rural areas.
4. High Number of Inactive customer connections.
5. High Non-Revenue Water compared to the sector 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..... 19.8.2022

Signature..... 

CHAIRMAN;

TAVEVO WATER AND SEWERAGE COMPANY LTD; BOARD OF DIRECTORS

5. 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. We have received a number of goods through the above mentioned project as listed below;

- 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.

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.
- 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 period.

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 Mwakitau water project,
- ii. Community Led total sanitation (C.L.T.S)
- iii. Up scaling basic sanitation for urban poor (U.B.S.U.P)
- iv. Maktau Bus park Public Sanitation Facility.(P.S.F)
- v. Conditional Liquidity Support Grant.

Important to note all the above mentioned projects have been in conjunction with the Taita Taveta County Government who were core financiers of three of the above financed projects (C.L.T.S, Nyangoro Mwakitau and Maktau P.S.F) at 13% of the total budget.

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 37% against a national average of 54.6%. This is an improvement compared to the previous financial year at 38%.

However, 37% 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. 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

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

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.

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.....18/8/2022.....

Signature..........

MANAGING DIRECTOR

TAVEVO WATER AND SEWERAGE COMPANY LTD

6. STATEMENT OF TAVEVO'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

Tavevo has had an unfortunate gap since the expiry of the strategic plan. Due to numerous factors we spent the period under review without an approved strategic plan. However a consultant has been procured for the formulation of a complete strategic plan from the financial year 2021-2022.

7. 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 Technical Committee.
- (b) Audit Committee.
- (c) Human Resource 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.

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

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

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.

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

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.

8. MANAGEMENT DISCUSSION AND ANALYSIS

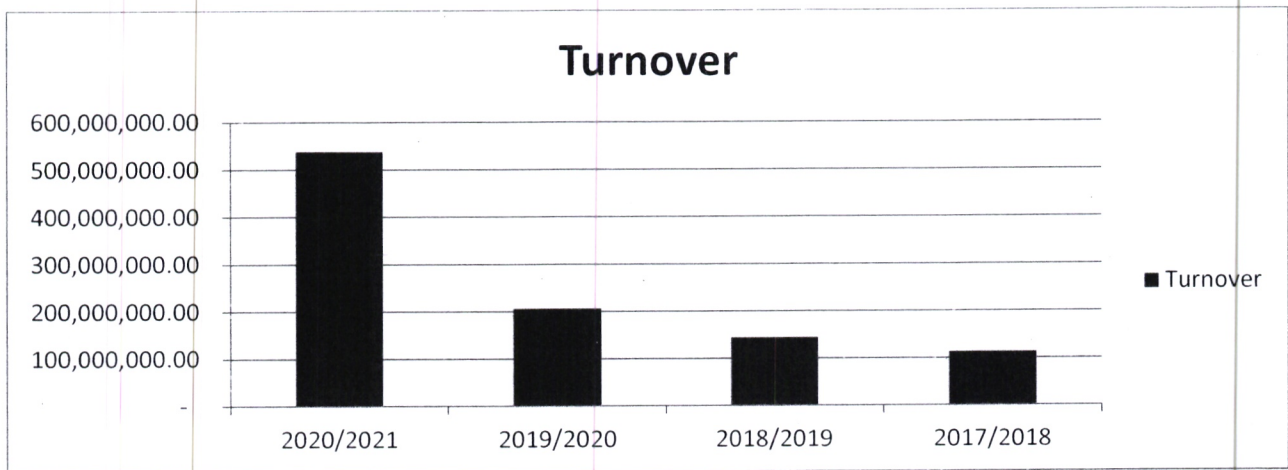
Introduction

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

i. Annual Turnover

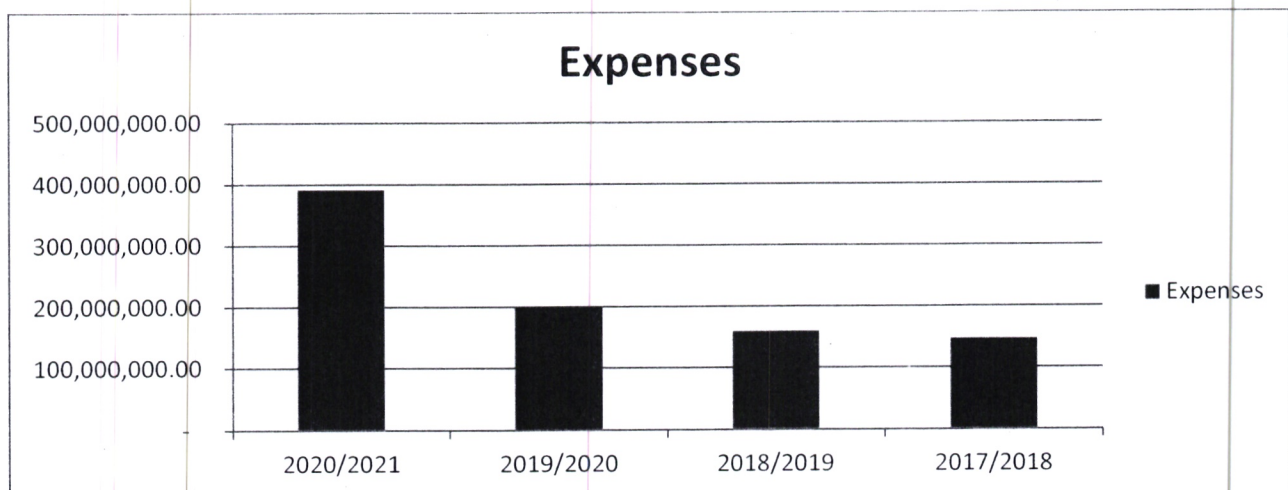
Tavevo management has seen continued increase in revenue over the last 4 years as summarised in the below graph;

Important to note Tavevo received grants as reported during the period.



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 Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

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.	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.
ii. Water Sector Trust Fund-The listed projects though on-going are as shown under the status.	i. Nyangoro Mwakitau water project, ii. Community Led total sanitation (C.L.T.S) iii. Up scaling basic sanitation for urban poor (U.B.S.U.P) iv. Maktau Bus park Public Sanitation Facility.(P.S.F) v. Conditional Liquidity Support Grant.

9. 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.

10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021, 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, 2021 are set out on page 1-9. Below is a summary of the profit made during the year.

iii) Directors

The members of the Board of Directors who served during the year are shown on page v-vi in accordance with Regulation.


iv) Surplus remission

The surplus made during the year is attributed to conditional Grants received during the year from our different stake holders and partners. Tavevo therefore did not remit any surplus as required by law.

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, 2021 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..... **RICHARD NGWATU** Signature.....  Date..... **18/8/22**

Secretary to the Board

11. 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.

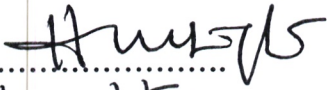
The Directors are responsible for the preparation and presentation of Tavevo Water and Sewerage Company Limited financial statements, which give a true and fair view of the state of affairs of Tavevo Water and Sewerage Company Limited for and as at the end of the financial year (period) ended on June 30, 2021. 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 accept 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, 2021, 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

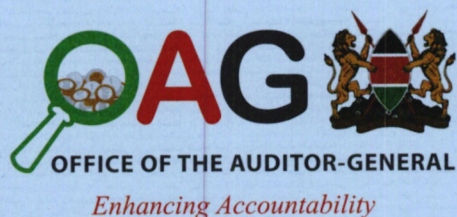
The Tavevo water and sewerage company limited financial statements were approved by the Board on 18/8/22 2022 and signed on its behalf by:

Signature.....
Name.....Houghton Momboro
Chairperson of the Board

Signature.....
Name.....RICHARD NGWATU
Accounting Officer

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, 2021

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance, which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Tavevo Water and Sewerage Company Limited set out on pages 1 to 30, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget

and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations, which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Tavevo Water and Sewerage Company Limited as at 30 June, 2021, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Non-Compliance with the Prescribed Reporting Framework

Management has indicated that the annual reports and financial statements of Tavevo Water and Sewerage Company Limited for the year ended 30 June, 2021 were prepared in accordance with the Accrual Basis of Accounting Method under International Financial Reporting Standards (IFRS) reporting framework. However, the statement of financial performance and statement of changes in net assets are not presented as per the prescribed format of International Financial Reporting Standards and the financial reporting framework prescribed by the Public Sector Accounting Standards Board given that the Company is a commercial entity.

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

2. Unsupported Cash and Bank Balances

The statement of financial position and as disclosed under Note 11(B) of the financial statements reflects cash and bank balance of Kshs.39,789,652. Included in the balance is an amount of Kshs.3,385,073 in respect of Posta Pay. However, 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. Information available indicated that Management effort to terminate the contract with Posta Pay vide letters Ref. No. TVO/HQ/PC/33/Vol.2/1 dated 22 April, 2021 and Ref. No. TVO/HQ/FIN/30/Vol.1/2022/3 dated 28 December, 2021 was unsuccessful.

In the circumstances, the legality, completeness and accuracy of the Posta Pay amount of Kshs.3,385,073 could not be confirmed.

3. Trade and Other Receivables

The statement of financial position and as disclosed under Note 9 to the financial statements reflects trade and other receivables balance of Kshs.354,917,252, out of which an amount of Kshs.348,262,414 relates to gross trade receivables as analyzed in Note 9(B). However, the following observations were noted:

- i. The general ledger provided in support of the gross trade receivables reflects an amount of Kshs.315,411,180, resulting to an unexplained and unreconciled variance of Kshs.32,851,234.

- ii. Included in the trade and other receivable balance of Kshs.354,917,252 are long outstanding receivables totaling Kshs.4,119,954 which were not provided for as bad and doubtful debts. Further, an amount of Kshs.2,412,157 in respect of Taita Taveta County was not supported.

In the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs.354,917,252 could not be confirmed.

4. Variances in Customer Deposits

The statement of financial position reflects customer refundable water connection deposits amount of Kshs.28,015,406 and as disclosed in Note 16 to the financial statements. However, bank confirmation certificate for the customer deposits bank account reflected a balance of Kshs.780,069, resulting to an unexplained variance of Kshs.27,235,337. Further, the deposits register for all zones for the period from 10 February, 2012 to 30 June, 2021 indicated a deposit balance of Kshs.20,776,857, resulting to a further variance of Kshs.7,238,549. The variances between the different set of records were not explained or reconciled.

In the circumstances, the completeness and accuracy of the customer refundable water connection deposits of Kshs.28,015,406 could not be confirmed.

5. Unexplained Variances in Coast Water Works Development Agency Payables

The statement of financial position and as disclosed in Notes 18 and 19 to the financial statements reflects Coast Water Works Development Agency payables balance of Kshs.545,023,139 in respect of lease fees of Kshs.129,397,816 and bulk water supply of Kshs.415,625,323. However, the audited financial statements for Coast Water Works Development Agency reflects the related receivables as Kshs.635,608,942, resulting to an unexplained and unreconciled variance of Kshs.90,585,803.

In the circumstances, the trade and other payables balance of Kshs.545,023,139 could not be confirmed.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.937,642,236 and Kshs.675,634,390 respectively, resulting to an under collection of Kshs.262,007,846 or 28% of the budget. Similarly, the Company spent an amount of Kshs.390,932,641, against an approved budget of Kshs.937,642,236, resulting to an under-expenditure of Kshs.546,709,595 or 58% of the budget.

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

2. Unresolved Prior Year Matters

In the audit report of the previous years, a number of paragraphs were raised. However, Management has not resolved the issues nor disclosed all the prior years matters as provided by the Public Sector Accounting Standards Board Templates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Administration Costs

The statement of financial performance reflects administration costs of Kshs.390,932,641 and as disclosed in Note 5(a) to the financial statements. However, the following anomalies were observed:

1.1 Unsupported Training Expenses

The administration costs amount of Kshs.390,932,641 includes staff cost amount of Kshs.102,355,290 out of which training expenses amounting to Kshs.1,566,000 were not supported with a training plan and training needs assessment contrary to Section H. 3.1 of the Human Resource Policies and Procedures Manual for the Public Service, 2016.

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

1.2 Unsupported Legal Fees

The administration costs of Kshs.390,932,641 also includes unsupported legal fees amounting Kshs.750,000 where the nature of the legal services offered was not disclosed.

In the circumstances, the regularity of the legal fees of Kshs.750,000 could not be confirmed.

2. Board of Directors

2.1 Irregular Composition of Committees of the Board

During the year under review, the Board's Finance and Technical; Human Resources and Administration; and Audit and Risk Committees had five (5) members each. However, the number of members in each committee exceeded a third of the total ten Board members by two members contrary to Circular Number OP/CAB.9/1A of 11 March, 2020. In addition, three persons were members in all the three (3) Board Committees, contrary to Circular OP/CAB.9/1A dated 11 March, 2020 that requires a member to sit in a maximum of two (2) committees. Further, four (4) Board members belonged to both the Finance and Technical Committee and Audit and Risk Committee, contrary to the requirement that

a member serving in the finance committee cannot be appointed as a member of the audit committee.

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

2.2 Board of Directors Emoluments

The statement of financial performance and as disclosed in Note 5(a) to the financial statements reflects administration costs of Kshs.390,932,641 which includes an amount of Kshs.6,835,546 in respect of directors' emoluments. However, the following anomalies were noted:

2.2.1 Irregular Allowances Payment

Review of records provided for audit indicated that members of the Board were paid sitting allowances amounting to Kshs.790,000 for sixteen (16) field visits contrary to Circular OP/CAB.9/1A dated 11 March, 2020 that defines field visit as an executive function.

In the circumstances, the regularity of the sitting allowances amount of Kshs.790,000 could not be confirmed.

2.2.2 Unsupported Night-out Claims

The directors' emoluments amount of Kshs.6,835,546 also includes night-out claims totalling Kshs.450,000. However, payments were not supported with evidence to confirm that the night out claims were based on the place of residence declared by the Board members as at the time of appointment. This is contrary to Circular OP/CAB.9/1A of 11 March, 2020 which stipulates that Board members declare their residences at the time of appointment and upon any change thereafter from which they commute while attending Board business.

In the circumstances, the regularity of the expenditure of Kshs.450,000 could not be confirmed.

2.3 Unapproved Extra Meetings

During the year under review, the Board of Directors held a total of fifty-five (55) sittings, out of which twelve (12) were full board meetings. However, this was contrary to Circular Ref. OP/CAB.9/1A of 11 March, 2020 which sets a maximum of six (6) board sittings.

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

2.4 Failure to Appraise the Performance of Board Members and Board Committees

During the year under review, the Company did not undertake an evaluation of the Board to appraise the performance of the individual Board members and the committees, and to confirm that the Board members operated as required by section 17 of the Mwongozo Code of conduct and the Circular Ref. No. OP/CAB.9/1A dated 11 March, 2020.

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

3. Stalled Project

The statement of financial position reflects property, plant and equipment balance of Kshs.289,776,302 which as disclosed in Note 7 to the financial statements includes additions amounting to Kshs.254,228,219. This amount further includes an amount of Kshs.2,535,058 relating to part payment for Mwatate decentralized treatment facility project contract which was awarded at a cost of Kshs.9,806,535 for a period of twelve (12) months beginning 1 September, 2020. However, the project stalled due to lack of National Environment Management Authority (NEMA) project approval, though the contractor had already been paid Kshs.2,535,058.

In the circumstances, the realization of value for money on the project could not be confirmed.

4. Incomplete Project Works

The property, plant and equipment balance of Kshs.289,776,302 and as disclosed in Note 7 to the financial statements includes additions amount of Kshs.254,228,219. This amount further includes an amount Kshs.76,747,266 relating to construction of Nyangoro-Maktau water project. The contract was awarded at a cost of Kshs.88,616,120, for a period of eleven (11) months beginning 14 September, 2020. However, review of the project documents and physical inspection on 11 and 12 February, 2022 revealed the following;

- i. That although the practical completion certificate was issued on 15 November, 2021, it was not supported with the project inspection and acceptance report and in addition, the performance security for the project had expired on 18 September, 2021.
- ii. That out of the three (3) water kiosks to be constructed at a cost of Kshs1,834,650, only two (2) had been completed but without water and out of the five (5) water tanks to be rehabilitated, two (2) tanks were empty due to leakages on the walling. Further, paving of slabs that was to be done around the rehabilitated tanks at a cost of Kshs.617,680 was not completed.

In the circumstances, value for money of the expenditure of Kshs.76,747,266 incurred on the project could not be confirmed.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, 2015 I report based on the 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 been kept by the Company, so far as appears from the examination of those books;
- iii. The Company's financial statements are 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to terminate 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 September, 2022

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

**13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30
 JUNE 2021**

REVENUES			
Revenue	1	281,051,730	245,418,700
Cost of sales	2	(136,932,012)	(112,898,919)
Gross profit		144,119,718	132,519,781
Grants	3	376,396,840	61,007,561
Other Income	4	18,185,820	13,632,846
TOTAL REVENUES		538,702,378	207,160,188
OPERATING EXPENSES			
Administration Costs	5	390,932,641	200,608,300
TOTAL OPERATING EXPENSES		390,932,641	200,608,300
PROFIT/(LOSS) BEFORE TAXATION		147,769,737	6,551,888
INCOME TAX EXPENSE/(CREDIT)	6	44,330,921	1,965,567
PROFIT/(LOSS) AFTER TAXATION		103,438,816	4,586,322
OTHER COMPREHENSIVE INCOME			
Fair value through comprehensive income		-	-
Surplus or deficit on revaluation of PPE		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		103,438,816	4,586,322

The notes set out on pages 10 to 29 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 9 were signed on behalf of the Board of Directors by:

Accounting Officer

Name: **RICHARD NGWATU**

Date: **18/8/22**

Head of Finance

Name: **SAMUEL KUMOLA**

ICPAK Member Number: **15745**

Date: **18/08/2022**

Chairman of the Board

Name: **Huyile Mone**

Date: **19.8.2022**

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

ASSETS			
Non-Current Assets			
Property, plant and equipment	7	289,776,302	79,913,232
Intangible assets	8	1,614,862	1,305,448
Total Non-Current Assets		291,391,165	81,218,680
Current Assets			
Trade and other receivables	9	354,917,252	294,820,794
Short-term deposits	10	46,000	46,000
Bank and cash balances	11	39,789,652	71,241,593
Total Current Assets		394,752,904	366,108,386
Total Assets		686,144,068	447,327,066
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	12	100,000	100,000
Fair value adjustment reserve	13	97,214,636	97,214,636
Retained earnings	14	(125,062,956)	(272,832,693)
Capital and Reserves		(27,748,320)	(175,518,057)
Non-Current Liabilities			
Long-term loan	15	-	5,983,542
Customer deposits	16	28,015,406	22,661,520
Service Gratuity	17	28,796,019	13,740,458
Coast Water Works Development Agency-Lease fees	18	129,397,816	138,777,739
Total Non-Current Liabilities		186,209,241	181,163,258
Current Liabilities			
Trade and other payables	19	527,683,147	441,681,866
Total Current Liabilities		527,683,147	441,681,866
TOTAL EQUITY AND LIABILITIES		686,144,068	447,327,066

The Financial Statements set out on pages 1-9 were signed on behalf of the Board of Directors

By:

Accounting Officer

Name: **RICHARD NGWATU**

Date: **18/8/22**

Head of Finance

Name: **SAMUEL KUMOLA**

ICPAK Member Number: **15745**

Date: **18/8/22**

Chairman of the Board

Name: **Houghton**

Date: **19.8.2022**

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

15. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2021

At July 1, 2019	100,000	97,214,636	(279,262,392)	(181,947,756)
Total comprehensive income	-	-	6,551,888	6,551,888
Capital/Development grants received during the year	-	-	-	-
Transfer of depreciation/amortization from capital fund to retained earnings	-	-	-	-
Dividends paid – 2018	-	-	-	-
Interim dividends paid – 2019	-	-	-	-
Proposed final dividends	-	-	-	-
Prior Year adjustments	-	-	(122,189)	(122,189)
At June 30, 2020	100,000	97,214,636	(272,832,693)	(175,518,057)
At July 1, 2020	100,000	97,214,636	(272,832,693)	(175,518,057)
Issue of new share capital	-	-	-	-
Total comprehensive income	-	-	147,769,737	147,769,737
Capital/Development grants received during the year	-	-	-	-
Dividends paid – 2019	-	-	-	-
Interim dividends paid – 2020	-	-	-	-
Proposed final dividends	-	-	-	-
Prior Year adjustments	-	-	-	-
At June 30, 2021	100,000	97,214,636	(125,062,956)	(27,748,320)

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	20	192,267,492	17,001,143
Increase/decrease in receivables		(60,096,458)	(33,004,922)
Increase/decrease in prepayments		-	2,303,725
Increase/decrease in customer deposit		5,353,887	4,565,551
Increase/decrease in Lease fee payable		(9,379,923)	138,777,739
Increase/decrease in payables		86,001,282	(47,437,925)
Increase/decrease in gratuity payables		15,055,561	2,877,421
Increase/decrease in Long term loan		(5,983,542)	-
Prior year adjustments		-	(122,189)
Net cash flows from/(used in) operating activities		223,218,299	84,960,543
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(254,228,219)	(29,952,979)
Proceeds from disposal of property, plant and equipment		-	-
Purchase of intangible assets		(442,020)	(592,702)
Net cash flows from/(used in) investing activities		(254,670,239)	(30,545,681)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash flows from/(used in) financing activities			-
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(31,451,940)	54,414,862
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		71,241,592	16,826,730
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		39,789,652	71,241,592

The Financial Statements set out on pages 1 to 9 were signed on behalf of the Board of Directors

By:

Accounting Officer

Name: **RICHARD NGWATU**

Head of Finance

Name: **SAMUEL KUMOLA**

Chairman of the Board

Name: **Houghton Mores**

ICPAK Member Number: **15745**

Date: **18/8/22**

Date: **18/08/2022**

Date: **19.8.2022**

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance Difference	% of utilisation
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
Revenues	Kshs	Kshs	Kshs	Kshs	kshs	
Water sale	365,946,000	(21,757,000)	344,189,000	269,522,895	74,666,105	78%
Meter rent	12,819,216	-	12,819,216	11,528,835	1,290,381	90%
Sanitation Services	1,144,896	-	1,144,896	-	1,144,896	0%
	379,910,112	(21,757,000)	358,153,112	281,051,730	77,101,382	
Other income		-				
Bowser	8,250,084	2,000,000	10,250,084	11,189,350	(939,266)	109%
Exhauster Services	3,600,000	-	3,600,000	144,500	3,455,500	4%
Illegal Connections	252,000	300,000	552,000	338,585	213,415	61%
Meter Replacement	295,020	-	295,020	126,565	168,455	43%
Meter testing	-	1,000	1,000	36,500	(35,500)	3650%
New Connection	7,000,000	1,000,000	8,000,000	5,031,320	2,968,680	63%
Reconnection fees	1,661,200	-	1,661,200	1,314,400	346,800	79%
Ablution Blocks	540,000	-	540,000	-	540,000	0%
Rent	240,000	-	240,000	-	240,000	0%
Termination fee	-	2,000	2,000	4,600	(2,600)	230%
Total Miscellaneous income	21,838,304	3,303,000	25,141,304	18,185,820	6,955,484	
Grants						
		32,721,548				
Water Sanitation Development Project (I.D.A) Funding Through County Government	350,000,000		382,721,548	239,441,312	143,280,236	63%

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

Water Sector Trust Fund UBSUP Mwatate	16,271,004	-	16,271,004	7,057,780	9,213,224	43%
Water Sector Trust Fund Nyangoro Maktau Water project	88,494,440	11,520,096	100,014,536	77,096,024	22,918,512	77%
Water Sector Trust Fund- Conditional Liquidity Support Grant	-	47,324,559	47,324,559	47,324,559	-	100%
Water Sector Trust Fund- Community Led Total Sanitation	798,340	-	798,340	391,267	407,073	49%
Water and Sanitation Development Project- Abbreviated Resettlement Action Plan	-	-	1,500,000	1,500,000	-	100%
Water Sector Trust Fund- Maktau Public Sanitation Facility	5,717,833	-	5,717,833	3,585,898	2,131,935	63%
Total Conditional Grants	461,281,617	91,566,203	554,347,820	376,396,840	177,950,980	
Total Income	863,030,033	73,112,203	937,642,236	675,634,390	262,007,846	
Cost of sales						
Bulk water fees	66,264,000	-	66,264,000	63,794,206	2,469,794	96%
Electricity pumping	56,919,477	-	56,919,477	69,028,307	(12,108,830)	121%
water treatment	3,022,135	(700,000)	2,322,135	2,253,699	68,436	97%
Abstraction fees	1,177,800	600,000	1,777,800	1,855,800	(78,000)	104%
Total	127,383,412	(100,000)	127,283,412	136,932,012	(9,648,600)	
Gross profit	735,646,621	73,212,203	810,358,824	538,702,378	271,656,446	
Administration Costs						
Advertising, Awareness	1,277,649	500,000	1,777,649	2,661,231	(883,582)	150%
Airtime Allowance	2,244,960	500,000	2,744,960	2,096,960	648,000	76%
Awards to retired staff	10,000	-	10,000	-	10,000	0%
Burial expenses	-	-	-	72,100	(72,100)	0%

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

Commercial Monitoring & evaluation	2,100,000	(2,000,000)	100,000	30,000	70,000	30%
Contracted Guards	6,066,720	500,000	6,566,720	6,105,600	461,120	93%
Corporate social responsibility	500,000	-	500,000	170,000	330,000	34%
Covid 19 mitigation expenses	-	-	-	-	-	0%
Customer care & public relation	-	1,000,000	1,000,000	897,650	102,350	90%
Depreciation for Intangible assets	-	-	-	132,606	(132,606)	0%
Depreciation for Tangible assets	-	-	-	44,365,149	(44,365,149)	0%
Electricity Administration	-	-	-	944,074	(944,074)	0%
End year gift vouchers	-	635,000	635,000	635,000	-	100%
Entertainment	681,955	1,300,000	1,981,955	1,672,380	309,575	84%
ICT equipment & software maintenance	975,000	(300,000)	675,000	632,800	42,200	94%
Insurance non-motor	1,062,061	-	1,062,061	-	1,062,061	0%
Internet & website expenses	1,572,000	-	1,572,000	1,417,399	154,601	90%
Managing Directors office	240,000	-	240,000	38,210	201,790	16%
Membership fees	233,400	180,000	413,400	590,160	(176,760)	143%
Newspapers	66,594	-	66,594	39,480	27,114	59%
Office & general expenses	2,287,963	400,000	2,687,963	4,048,349	(1,360,386)	151%
Postal services	86,894	60,000	146,894	170,695	(23,801)	116%
Publishing & printing	147,077	(50,000)	97,077	28,469	68,608	29%
Refurbishment & maintenance of assets	500,000	(350,000)	150,000	161,328	(11,328)	108%
Rent & rates	420,000	-	420,000	381,000	39,000	91%
SMS Billing & maintenance	3,600,000	-	3,600,000	3,266,576	333,424	91%
Staff Uniforms	800,000	(300,000)	500,000	37,900	462,100	8%
Strategic Plan	3,000,000	(2,000,000)	1,000,000	-	1,000,000	0%
Wasco games	600,000	(600,000)	-	-	-	0%
World Water day	250,000	-	250,000	-	250,000	0%

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

Electro-mechanical	2,500,000	(1,000,000)	1,500,000	4,357,012	(2,857,012)	290%
Maintenance of water supplies	19,000,000	2,000,000	21,000,000	34,245,548	(13,245,548)	163%
Sanitation Services	1,000,000	-	1,000,000	-	-	0%
Legal fees	3,951,240	(1,000,000)	2,951,240	750,000	2,201,240	25%
Provision of Audit fees	464,000	-	464,000	464,000	-	100%
KUCFAW-former staff	2,020,107	-	2,020,107	-	2,020,107	0%
Tariff Renewal	3,000,000	-	3,000,000	-	3,000,000	0%
Chairman's Honoraria	420,000	-	420,000	420,000	-	100%
Board of Directors Airtime	420,000	-	420,000	294,000	126,000	70%
Other Directors allowances	3,653,620	2,250,000	5,903,620	6,121,546	(217,926)	104%
Bank Commission & charges	1,757,525	(1,000,000)	757,525	1,728,040	(970,515)	228%
Lease fees CWWDA	-	-	-	4,074,611	(4,074,611)	0%
Wasreb Levy	16,069,937	(3,000,000)	13,069,937	10,780,917	2,289,020	82%
Wasreb License fees	-	3,500,000	3,500,000	-	3,500,000	0%
KRA Bills	9,466,520	(2,500,000)	6,966,520	4,216,988	2,749,532	61%
Legalization of water resources & NEMA	1,500,000	(1,500,000)	-	-	-	0%
Transportation, travelling and subsistence	10,575,810	-	10,575,810	22,218,607	(11,642,797)	210%
Hire of transport plant & equipment	150,000	300,000	450,000	426,100	23,900	95%
Fuel oils & lubricants	11,696,499	-	11,696,499	8,685,570	3,010,929	74%
Maintenance of motor vehicles	7,670,088	-	7,670,088	7,808,655	(138,567)	102%
Insurance costs	1,110,336	-	1,110,336	1,131,941	(21,605)	102%
Transport claims	120,000	-	120,000	-	120,000	0%
Salary	74,628,000	-	74,628,000	71,462,885	3,165,115	96%
Leave allowance	5,248,780	-	5,248,780	5,140,030	108,750	98%
Gratuity/Pension	20,464,788	-	20,464,788	17,564,240	2,900,548	86%
Pension arrears	3,300,000	(1,000,000)	2,300,000	308,104	1,991,896	13%
Casual wages	3,864,480	-	3,864,480	6,056,031	(2,191,551)	157%
Training expenses	3,040,000	(1,500,000)	1,540,000	1,566,000	(26,000)	102%

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

Staff medical	12,000,000	-	12,000,000	-	12,000,000	0%
Recruitment cost	-	450,000	450,000	258,000	192,000	57%
W.S.T.F UBSUP Expenses	-	-	-	3,867,254	(3,867,254)	0%
W.S.D.P Expenses	-	-	-	102,393,799	(102,393,799)	0%
W.S.T.F Community Led Total Sanitation	-	-	-	309,040	(309,040)	0%
Water and Sanitation Development Project- Abbreviated Resettlement Action Plan	-	-	-	306,080	(306,080)	0%
W.S.T.F Conditional liquidity support grant	-	-	-	3,382,527	(3,382,527)	0%
Total	247,814,003	(4,525,000)	243,289,003	390,932,641	(148,643,638)	
Total operating expenses	247,814,003	-	243,289,003	390,932,641	(148,643,638)	
Surplus / (deficit)	487,832,618	73,212,203	567,069,821	147,769,737	420,300,084	

18. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Tavevo entity 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 areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

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 Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Summary of Significant Accounting Policies

1. Revenue recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the *entity* and the revenue can be reliably measured. Revenue is 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 *entity* 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 *entity* actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and 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.

2. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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.

3. 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.

4. 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.

5. 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 impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

6. 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.

7. 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.

8. 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.

9. 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.

10. Comparative figures

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

11. 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, 2021.

12. 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.

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. REVENUE

	2020-2021	2019-2020
	KSh	KSh
Water sale	269,522,895	234,783,120
Meter rent	11,528,835	10,635,580
Less: Value added tax on gross sales	-	-
Total	281,051,730	245,418,700

2. COST OF SALES

	2020-2021	2019-2020
	KSh	KSh
Bulk water fees	63,794,206	65,767,694
Electricity pumping	69,028,307	44,038,989
water treatment	2,253,699	1,236,436
Abstraction fees	1,855,800	1,855,800
Total	136,932,012	112,898,919

3. GRANTS

	2020-2021	2019-2020
	KSh	KSh
Water Sanitation Development Project (I.D.A) Funding Through County Government	239,441,312	45,015,440
Water Sector Trust Fund UBSUP Mwatate	7,057,780	3,896,725
Water Sector Trust Fund Nyangoro Maktau Water project	77,096,024	12,095,396
Water Sector Trust Fund- Conditional Liquidity Support Grant	47,324,559	-
Water Sector Trust Fund- Community Led Total Sanitation	391,267	-
Water and Sanitation Development Project- Abbreviated Resettlement Action Plan	1,500,000	-
Water Sector Trust Fund- Maktau Public Sanitation Facility	3,585,898	-
Total	376,396,840	61,007,561

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. OTHER INCOME

Description	2020-2021	2019-2020
	K,shs	K,shs
Bowser	11,189,350	6,449,738
Exhauster Services	144,500	-
Illegal Connections	338,585	701,510
Meter Replacement	126,565	142,500
Meter testing	36,500	13,500
New Connection	5,031,320	4,079,198
Reconnection fees	1,314,400	2,205,600
Rent	-	40,000
Termination fee	4,600	800
Total	18,185,820	13,632,846

5. (a) ADMINISTRATION COST

Description	2020-2021	2019-2020
Advertising & Awareness	2,661,231	1,232,443
Airtime Allowance	2,096,960	1,754,100
Awards to retired staff	-	10,000
Burial expenses	72,100	225,900
Commercial Monitoring & evaluation	30,000	76,827
Contracted Guards	6,105,600	4,843,200
Corporate social responsibility	170,000	59,022
Covid 19 mitigation measures	-	1,019,440
Customer care & public relation	897,650	346,822

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

Depreciation for Intangible assets	132,606	177,811
Depreciation for Tangible assets	44,365,149	10,271,444
Electricity	944,074	2,147,593
End year gift vouchers	635,000	-
Entertainment & Office meals	1,672,380	702,564
ICT equipment & software maintenance	632,800	1,226,990
Insurance non-motor	-	1,283,885
Internet & website expenses	1,417,399	1,712,090
Managing Directors office	38,210	26,128
Membership fees	590,160	202,680
Newspapers	39,480	39,120
Office & general	4,048,349	2,293,482
Postal services	170,695	53,335
Publishing & printing	28,469	49,765
Refurbishment & maintenance of assets	161,328	6,200
Rent & rates	381,000	394,000
SMS Billing & maintenance	3,266,576	2,845,327
Staff Uniforms	37,900	1,243,961
Wasco games	-	389,326
World Water day	-	-
Electro-mechanical	4,357,012	1,725,970
Maintenance of water supplies	34,245,548	15,562,837
Sanitation Services	-	-
Legal fees	750,000	3,425,045
Provision of Audit fees	464,000	464,000
KUCFAW-former staff	-	-
Staff Cost (note 5.B)	102,355,290	76,148,239
Directors Emoluments (note 5.C)	6,835,546	5,076,074
Bank Commission & charges	1,728,040	2,018,565
Lease fees CWWDA	4,074,611	14,855,526
Wasreb Levy	10,780,917	10,517,931
KRA Bills	4,216,988	9,036,545
Legalization of water resources & NEMA	-	-
Tariff Renewal	-	-
Transportation, travelling and subsistence	22,218,607	7,984,588
Hire of transport plant & equipment	426,100	109,650
Fuel oils & lubricants	8,685,570	6,600,132
Maintenance of motor vehicles	7,808,655	5,050,943
Insurance costs	1,131,941	1,679,106
Transport claims	-	-
Transfer to W.S.T.F UBSUP	3,867,254	632,102

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

W.S.D.P Expenses	102,393,799	5,087,592
W.S.T.F Community Led Total Sanitation	309,040	-
Water and Sanitation Development Project- Abbreviated Resettlement Action Plan	306,080	-
W.S.T.F Conditional liquidity support grant	3,382,527	-
Total	390,932,641	200,608,300

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5.B STAFF COSTS

Description	2020-2021	
	2020-2021	2019-2020
Salary	71,462,885	55,921,004
Leave allowance	5,140,030	3,451,678
Gratuity/Pension	17,564,240	6,090,931
Pension arrears	308,104	1,979,994
Casual wages	6,056,031	7,553,917
Training expenses	1,566,000	790,975
Staff medical	-	-
Recruitment cost	258,000	359,740
Total	102,355,290	76,148,239
The average number of employees at the end of the year was:		
Permanent employees – Management	-	-
Permanent employees – Union sable	14	14
Temporary and contracted employees	177	122
Total	191	136

5.C DIRECTORS EMOLUMENTS

Description	2020-2021	
	2020-2021	2019-2020
Chairman's Honoraria	420,000	271,473
Board of Directors Airtime	294,000	343,000
Other Directors allowances	6,121,546	4,461,601
Total	6,835,546	5,076,074

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. INCOME TAX /(CREDIT)

(a). Current taxation

	2020-2021	2019-2020
	Rs.	Rs.
Current taxation based on the adjusted profit for the year at 30%	44,330,921	1,965,566
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	44,330,921	1,965,566

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

	2020-2021	2019-2020
	Rs.	Rs.
Profit before taxation	147,769,737	6,551,888
Tax at the applicable tax rate of 30%	44,330,921	1,965,567
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	103,438,816	4,586,322

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Property, Plant and Equipment

									Total	Total
									Intangible	Intangible
									Assets	Assets
									US\$	US\$
Cost as at 1-07-2019	4,826,834	4,376,335	29,183,820	2,363,505	3,664,889	5,406,281	36,711,107	-	-	86,532,771
Additions 19/20	1,962,291	983,688	19,131,804	457,070	2,141,066	-	1,482,000	575,060	3,220,000	29,952,979
As at 1-07- 2020	6,789,125	5,360,023	48,315,624	2,820,575	5,805,955	5,406,281	38,193,107	575,060	3,220,000	116,485,750
Additions 20/21	1,417,344	16,071,292	77,434,017	718,550	139,750	-	-	76,747,266	81,700,000	254,228,219
As at 30-06-2021	8,206,469	21,431,315	125,749,641	3,539,125	5,945,705	5,406,281	38,193,107	77,322,326	84,920,000	370,713,969
Depreciation										
As at 1-07-2020	4,314,327	3,110,763	19,678,219	2,256,380	2,650,977	534,303	3,222,549	-	805,000	36,572,518
Charge for the year 2021	2,461,941	2,678,914	15,718,705	442,391	743,213	135,157	954,828	-	21,230,000	44,365,149
As at 30-06-2021	6,776,268	5,789,677	35,396,924	2,698,771	3,394,191	669,460	4,177,376	-	22,035,000	80,937,667
NBV at 30.06.2021	1,430,201	15,641,638	90,352,717	840,355	2,551,515	4,736,821	34,015,731	77,322,326	62,885,000	289,776,302
NBV at 30.06.2020	2,474,798	2,249,260	28,637,405	564,195	3,154,978	4,871,978	34,970,558	575,060	2,415,000	79,913,232

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note: Components of the Work in progress (W.I.P)

Cost as at 1-07-2019	-	-	-	-
Additions 19/20	575,060	-	-	575,060
As at 1-07-2020	575,060	-	-	575,060
Additions 20/21	70,631,753	2,535,058	3,580,455	76,747,266
As at 30-06-2021	71,206,813	2,535,058	3,580,455	77,322,326
Depreciation				
As at 1-07-2020	-	-	-	-
Charge for the year 2021	-	-	-	-
As at 30-06-2021	-	-	-	-
NBV at 30.06.2021	71,206,813	2,535,058	3,580,455	77,322,326
NBV at 30.06.2020	575,060	-	-	575,060

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. (b) Property, Plant and equipment at Cost

	2020	2019	2018
	US\$	US\$	US\$
Buildings	5,406,281	669,460	4,736,821
Plant and machinery	21,431,315	5,789,677	15,641,638
Motor vehicles, including motorcycles	84,920,000	22,035,000	62,885,000
Computers and related equipment	8,206,469	6,776,268	1,430,201
Office equipment, furniture, and fittings	5,945,705	3,394,191	2,551,515
Meters	125,749,641	35,396,924	90,352,717
Furniture & Fittings	3,539,125	2,698,771	840,355
Water distribution systems	38,193,107	4,177,376	34,015,731
W.I.P W.S.T.F	77,322,326	-	77,322,326
	370,713,969	80,937,667	289,776,302

8. INTANGIBLE ASSETS

	2020	2019
	US\$	US\$
COST		
At July 1	5,342,946.00	4,750,244.00
Additions	442,020.00	592,702.00
Transfer to investment property	-	-
Disposals	-	-
At June 30	5,784,966.00	5,342,946
AMORTISATION		
At July 1	(4,037,498)	(3,859,687)
Charge for the year	(132,606)	(177,811)
Transfer to investment property	-	-
Disposals	-	-
At June 30	(4,170,104)	(4,037,498)
NET BOOK VALUE		
At June 30	1,614,862.40	1,305,448

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. (A) TRADE AND OTHER RECEIVABLES

	2020/2021	2019/2020
	KSh	KSh
Trade receivables (note 9(b))	348,262,414	291,884,383
Deposits and prepayments	-	-
Staff receivables (note 9 (c))	1,894,329	702,755
Taita Taveta County receivable	3,828,615	1,783,674
BOD Receivable	240,728	240,728
Staff Imprest	640,555	158,642
Kenya Commercial Bank	18,150	18,150
Pan-African Insurance co. Ltd	32,461	32,461
Gross trade and other receivables	354,917,252	294,820,794
Provision for bad and doubtful receivable	-	-
Net trade and other receivables	354,917,252	294,820,794
	=====	=====

9. (B) TRADE RECEIVABLE

	2020/2021	2019/2020
	KSh	KSh
Gross trade receivables	348,262,414	291,884,383
Provision for doubtful receivables	-	-
	348,262,414	291,884,383
	=====	=====
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	19,060,705	17,197,341
Between 30 and 60 days	13,649,529	14,255,742
Between 61 and 90 days	12,850,577	12,657,913
Between 91 and 120 days	7,506,140	10,966,718
Over 120 days	295,195,463	236,806,669
	348,262,414	291,884,383
	=====	=====

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. (C) STAFF RECEIVABLES

	2020-2021	2019-2020
	KShs	KShs
Gross staff loans and advances	1,894,329	702,755
Provision for impairment loss	-	-
	1,894,329	702,755
Less: Amounts due within one year	1,894,329	702,755
Amounts due after one year	1,894,329	702,755
	=====	=====

10. SHORT-TERM DEPOSITS

	2020-2021	2019-2020
	KShs	KShs
Deposit receivable - Rented property	46,000	46,000
	46,000	46,000

11. (A) CASH AND CASH EQUIVALENTS

	2020-2021	2019-2020
	KShs	KShs
Current Accounts	7,506,177	23,634,052
Mobile money accounts	609,800	123,585
Project accounts	31,584,930	47,393,401
Cash in Hand	88,745	90,555
	39,789,652	71,241,593
	=====	=====

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. (B) DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

	2021/2021	2019/2020
	ESD	ESD
a). Current Accounts		
Co-operative Bank - Customer deposit a/c 01136220957300	780,069	8,359,093
Equity bank a/c- 0790299925910	113,529	2,913,280
KCB-collection a/c-1108161227	2,818,231	8,107,233
KCB-expenditure a/c-1108161332	367,219	1,295,999
Posta Pay	3,385,073	2,659,688
Post Bank a/c-0744130013575	42,055	298,759
Sub-Total	7,506,177	23,634,052
b). Mobile money accounts		
M-PESA Paybill-913350	609,800	123,585
Sub-Total	609,800	123,585
(c). Project accounts		
K.C.B. WSDP a/c 1242765387	2,432	32,721,548
K.C.B WSTF Maktau a/c 1261146727	25,166,736	11,516,906
KCB W.S.T.F UBSUP a/c 1268029874	3,941,796	3,154,947
Co-operative Bank - ARAP a/c 01141220957302	892,895	-
K.C.B WSTF C.L.S.G a/c 1282488406	1,217,257	-
Co-operative Bank - W.S.T.F C.L.T.S a/c 01141220957300	80,002	-
Co-operative Bank -W.S.T.F P.S.F a/c 01141220957301	283,811	-
Sub-Total	31,584,930	47,393,401
(d). Cash in Hand		
Cash in Hand-Cashier	88,745	90,555
Sub-Total	88,745	90,555
Grand Total	39,789,652	71,241,593

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. ORDINARY SHARE CAPITAL

	2020-2021	2019-2020
	KShs	KShs
1,000 ordinary shares of Kshs. 100/= par value each	100,000	100,000

13. FAIR VALUE ADJUSTMENT RESERVE

	2020-2021	2019-2020
	KShs	KShs
Fair value adjustment reserve	97,214,636	97,214,636

14. RETAINED EARNINGS

	2020-2021	2019-2020
	KShs	KShs
Retained earnings	(125,062,956)	(272,832,693)

15. LONG TERM LOAN

	2020-2021	2019-2020
	KShs	KShs
Taita Taveta County Government	-	5,983,542

16. CUSTOMER DEPOSIT

	2020-2021	2019-2020
	KShs	KShs
Refundable water connection deposits	28,015,406	22,661,520

17. SERVICE GRATUITY

	2020-2021	2019-2020
	KShs	KShs
Service Gratuity	28,796,019	13,740,458

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. COAST WATER WORKS DEVELOPMENT AGENCY (C.W.W.D.A)- LEASE FEES

	2020-2021 KShs.	2019-2020 KShs.
Coast Water Works Development Agency- Lease fees	129,397,816	138,777,739

19. TRADE AND OTHER PAYABLES

	2020-2021 KShs.	2019-2020 KShs.
Coast Water Works Development Agency Bulk water supply	415,625,323	359,676,582
Other payables	83,564,518	51,788,419
KENAO fees	5,324,000	4,860,000
KPLC	9,472,119	13,683,982
Payroll Liabilities	13,620,581	11,596,277
KCB payable	76,606	76,606
	527,683,147	441,681,866

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. NOTES TO THE STATEMENT OF CASHFLOWS

	2020/2021	2019/2020
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	147,769,737	6,551,888
Depreciation	44,365,149	10,271,444
Amortization	132,606	177,811
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	192,267,492	17,001,143
	=====	=====
(b) Analysis of changes in loans		
Balance at beginning of the year	5,983,542	5,983,542
Receipts during the year	-	-
Repayments during the year	(5,983,542)	-
Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Balance at end of the year	-	5,983,542
	=====	=====
(c) Analysis of cash and cash equivalents		
Cash at bank	7,506,177	71,151,038
Cash in hand	88,745	90,555
Project accounts	31,584,930	-
Mobile money	609,800	-
Balance at end of the year	39,789,652	71,241,593
	=====	=====

21. RELATED PARTY DISCLOSURES

(a) County Government

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

Other related parties include:

- i) The Parent County Government department of Water, Environment, climate change and sanitation.
- ii) The Board of Directors.
- iii) The Management.

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Transactions with related parties

	2020-2021	2019-2020
	Ksh	Ksh
a) Key management compensation		
Directors' emoluments	6,835,546	5,076,074
Compensation to the Managing Director	-	-
Compensation to key Management	-	-
Total	6,835,546	5,076,074

22. SURPLUS REMMISION

The surplus made during the year is attributed to conditional Grants received during the year from our different stake holders and partners. Tavevo therefore did not remit any surplus as required by law.

23. TAXATION

The surplus made during the year is attributed to conditional Grants received during the year from our different stake holders and partners. Tavevo therefore did not remit any tax as required by law.

24. EVENTS AFTER THE REPORTING PERIOD

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

25. ULTIMATE AND HOLDING ENTITY

The entity is a Water service provider under the County Government of Taita Taveta.

26. CURRENCY

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


**Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021**

APPENDIX

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The management noted all the issues as observed by the Auditor general in the previous audit for the year 2019/2020. However we are yet to receive the Audited Annual reports and financial statements for the financial year ending June 30, 2020.

During the audit process management noted the various issues raised by the Office of The Auditor General and have put to practice all the lessons and observation learnt from the previous period. Management has also made efforts to clear the Queries from inaccuracies of the financial statements, UFW, asset tagging, Customer deposits and have actually paid back the long outstanding County Government loan.

Managing Director.....

Date.....18/8/22

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects implemented by Tavevo water and sewerage Co. Ltd Funded by development partners and/or the Government are as previewed below;

Project title	Project number	Donor	Period/duration	Donor commitment date	Separate financial reporting required by the donor (Yes/No)	Financial statements audited by the donor (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 Nyangoro Maktau Water project	RUP/CP1/1/W/006/004	W.S.T.F	12 months	11/12/2019	Yes	Yes
Water Sector Trust Fund- Conditional Liquidity Support Grant	N/A	W.S.T.F	12 months	26/01/2021	Yes	Yes
Water Sector Trust Fund- Community Led Total Sanitation	RUP/CP1/1/S /006/023	W.S.T.F	12 months	11/12/2019	Yes	Yes
Water Sector Trust Fund- Maktau Public Sanitation Facility	RUP/CP1/1/S /006/015	W.S.T.F	12 months	11/12/2019	Yes	Yes

Tavevo Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

Status of Projects completion

Water Sanitation Development Project (I.D.A) Funding Through County Government	2,500,000,000	284,454,320	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 Nyangoro Maktau Water project	80,814,444	70,470,050	87%	80,814,444	80,814,444	W.S.T.F
Water Sector Trust Fund-Community Led Total Sanitation	798,340	311,265	39%	47,324,559	47,324,559	W.S.T.F
Water Sector Trust Fund-Maktau Public Sanitation Facility	5,717,833	3,302,087	58%	5,717,833	5,717,833	W.S.T.F