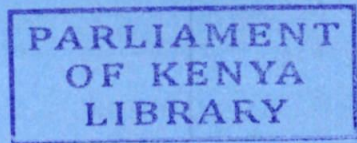


REPUBLIC OF KENYA



Enhancing Accountability

REPORT



OF

THE AUDITOR-GENERAL

ON

**TAVEVO WATER AND SEWERAGE COMPANY
LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2024**

PAPERS LAID	
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TAVEVO WATER AND SEWERAGE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

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1. Acronyms and Glossary of Terms

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

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

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

2. Key Entity Information

Background information

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

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

Principal Activities

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

Directors

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

No.	Name	Designation	Appointment Date
1.	Mr. Alex Mjomba	Chairman	From September 2023
2.	Mr. Houghton Mombo	Member	From 29 th May 2020 to date
3.	Mr. Nashon Chovu Nyali	Member	From 17 th March 2023 to date
4.	Mr. Peter Mwandawiro	Member	From September 2023
5.	Mrs. Ruth Lelewu	Member	From 29 th May 2020 to date
6.	Mr. Reuben Kitololo	Member	From 17 th March 2023 to date
7.	Mr. Richard W. Kibengo	Ag. Managing Director	From 23 rd December 2022 to October 2023
8.	Mr. Rose M. Mbiko	Managing Director	From October 2023 to date

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Company Secretary

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

Registered Office

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

Corporate Headquarters

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

Corporate Contacts

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

Corporate Bankers

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

Independent Auditor

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

Tavevo Water and Sewerage Company Ltd
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Principal Legal Advisers

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


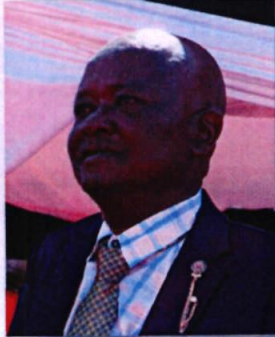


2. Mr Justus Munyithya,
Advocate/CPS (K), LLM, LLB.
I.C.P.S.K membership number – P/CPSB/1434,
4th Floor, N.S.S.F Building, Nkrumah Road P.O. Box 43370 - 80100 Mombasa.

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024


3. The Board of Directors

PHOTO	NAME/POSITION	QUALIFICATION
	<p>Mr. Alex Mjomba Chairman Board of Directors</p>	<p>Chairman Board of directors</p>
	<p>Mr Houghton Mombo Member From 29th May 2020 to date. D.O.B 04/02/1964</p>	<p>Executive Master of Business Administration. Bachelor of Technology (Electrical & Electronics) Telecommunications.</p>
	<p>Mr. Nashon Nyali Chovu County Chief Officer Finance and Planning Taita Taveta County</p>	<p>Bachelor of Business Management degree from Moi University. C.P.A (K)</p>
	<p>Mr. Peter Mwandawiro Member</p>	<p>Chairman Finance and Human resource committee</p>

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

	<p>Mrs Ruth Lelewu Member from 29th May 2020 Chairperson-Technical and commercial committee. D.O.B 20/05/1961</p>	<p>Bachelor of Commerce (Marketing Option).</p>
	<p>Mr. Reuben Kitololo County Chief Officer Water & Sanitation Taita Taveta County Government.</p>	<p>County Chief Officer Water & Sanitation Taita Taveta County Government</p>
	<p>Mr. Richard W. Kibengo Ag. Managing Director from 23rd December 2022 to October 2023 D.O.B 30-8-1986</p>	<p>Master of Business Administration Marketing Bachelor of commerce (Marketing).</p>
	<p>Madam Rose M. Mbiko Managing Director From October 2023 to date</p>	<p>Bachelor of Science Water Engineering</p>

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024




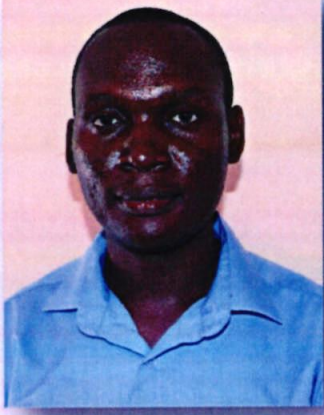
 A portrait photograph of Mr. Justus Muniyithya, a man with short dark hair, wearing a dark suit jacket, a light blue striped shirt, and a dark tie. He is smiling slightly and looking towards the camera.	<p>Mr Justus Muniyithya Company Secretary</p>	<p>Kioko Muniyithya Ngugi & Co. Advocates, Advocate/CPS (K), LLM, LLB. I.C.P.S.K membership number – P/CPSB/1434</p>
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Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024


4. Key Management Team

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

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

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

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

	<p>Mr. Junior Mwawaza Legal & Board affairs up to December 2023</p>	<p>LLB, Advocate of the High Court Commissioner of oaths</p>
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Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

5. Chairman's Statement

It is now 18 years since the Company started operating and managing water services in Taita Taveta County. Undoubtedly, the company has made tremendous strides in the management and delivery of water services despite the difficult operating environment brought about by slow economic growth and general inflation.

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

ACTIVITIES/ACHIEVEMENTS DURING THE PERIOD

Projects

A. Water and Sanitation Development Project

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

Goods

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

Works

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

Other objectives of the project are as follows;

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

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

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

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

B. Water Sector Trust Fund

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

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

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

Non-Revenue Water

During the reporting period our Non-Revenue Water which is the difference between the water produced for distribution and the water billed was 50% against a national average of 54.6%.

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

Metering

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

Drinking Water Quality

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

Human Resource Capacity

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

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

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..... 9/12/2024

Signature..... 

CHAIRMAN; ALEX MJOMBA

TAVEVO WATER AND SEWERAGE COMPANY LTD; BOARD OF DIRECTORS

6. Report Of the Managing Director

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

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

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

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

Projects

A. Water and Sanitation Development Project

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

Goods

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

Works

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

Other objectives of the project are as follows;

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

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

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

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

B. Water Sector Trust Fund

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

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

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

Water Coverage

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

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

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

Non-Revenue Water

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

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

Metering

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

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

Drinking Water Quality

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

Human Resource Capacity

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

Summary of challenges during the period

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

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

Tavevo Water and Sewerage Company Ltd
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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... 7/12/2024

Signature... 

MANAGING DIRECTOR

TAVEVO WATER AND SEWERAGE COMPANY LTD

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

7. Statement Of Performance Against Predetermined Objectives for FY 2023/2024

Tavevo successfully formulated a strategic plan and will be implementing it starting the year 2024/2025. The 10 year strategic plan had to be redone owing to the Revised guidelines for preparation of fifth-generation strategic plans, 2023-2027 from the Ministry of National Treasury and economic planning.

8. Corporate Governance Statement

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

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

Board of Directors appointment process

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

Board meetings held

Corporate Governance Statement (Continued)

Board succession policies and period in office

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

Collective and individual role of directors

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

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

Corporate Governance Statement (Continued)

Directors training and development policy

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

Board Remuneration Policy

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

For companies with:

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

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

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

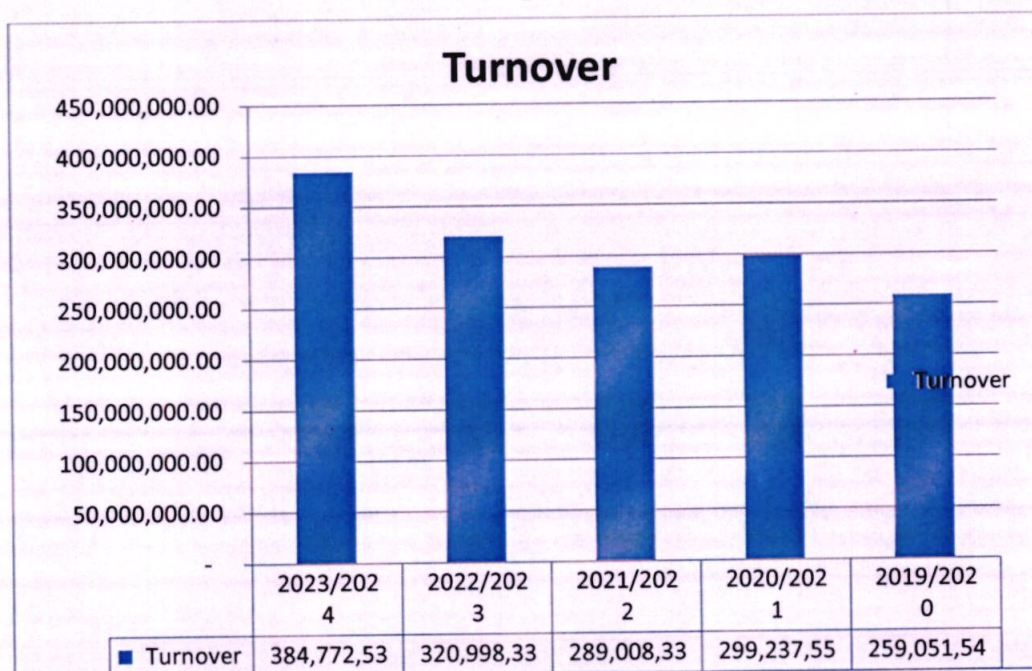
9. Management Discussion and Analysis

Introduction

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

i. Annual Turnover

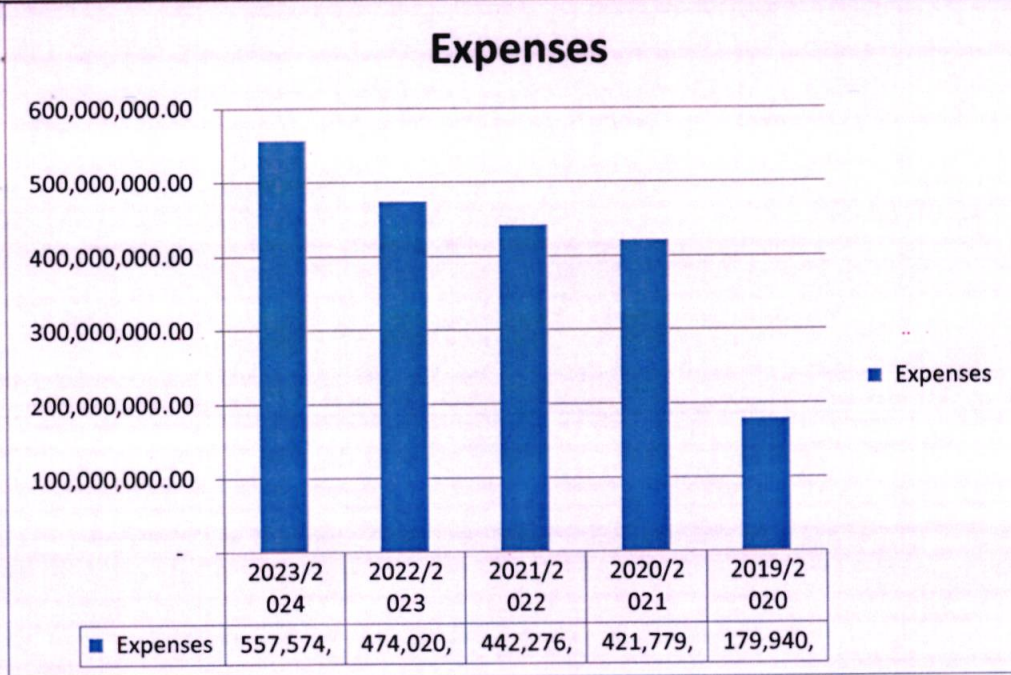
Tavevo management has seen continued increase in revenue over the last 5 years as summarised in the below graph;



ii. Expenses

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

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024



Key Projects during the period

Project	Status
<p>i. Water and Sanitation Development Project (W.S.D.P). Goods received during the year are as shown under the status.</p>	<p>i. General ICT goods</p> <p><u>Works</u></p> <p>ii. 8 No. Ablution blocks in Voi, Taveta, Mwatate, Wundanyi and Maungu towns-On going.</p> <p>iii. Combined waste water monitoring Laboratory at Voi Headquarters-On-going.</p> <p>iv. Storage Warehouse-On-going.</p> <p>v. New Office block-On-going.</p> <p>vi. Upgrade of water distribution systems in Voi, Wundanyi, Mwatate and Taveta towns.</p>
<p>ii. Water Sector Trust Fund-The listed projects though on-going are as shown under the status.</p>	<p>i. Manga Bus park Public Sanitation Facility.</p> <p>ii. Kishushe Kishenyi water project</p> <p>iii. Wildlife support program</p>

• **Tavevo Water and Sewerage Company Ltd**
Annual Report and Financial Statements for the year ended June 30, 2024

	<ul style="list-style-type: none"> iv. Kaloleni water project v. Msharinyi Public sanitation facility vi. Voi Public sanitation facility
--	---

10. Environmental And Sustainability Reporting

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

1. Sustainability strategy and profile

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

2. Environmental Performance

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

3. Employee Welfare

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

4. Market place practices

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

5. Community Engagements

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

11. Report Of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024 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, 2024 are set out on page 1-6.

iii) Dividends

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

iv) Directors

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

v) Auditors

The Auditor General is responsible for the statutory audit of the Tavevo in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 of Tavevo for the year/period ended June 30, 2024 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.....**MIKHELLE H. KULURI**

Company Secretary/Secretary to the Board

Date:.....**10/12/2024**

12. Statement Of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012 and *section 14 of the State Corporations Act*, require the Directors to prepare financial statements in respect of Tavevo Water and Sewerage Company Limited, which give a true and fair view of the state of affairs of Tavevo Water and Sewerage Company Limited at the end of the financial year/period and the operating results of Tavevo Water and Sewerage Company Limited for that year/period. The Directors are also required to ensure that Tavevo Water and Sewerage Company Limited keeps proper accounting records which disclose with reasonable accuracy the financial position of Tavevo Water and Sewerage Company Limited. The Directors are also responsible for safeguarding the assets of Tavevo Water and Sewerage Company Limited.

The Directors are responsible for the preparation and presentation of Tavevo Water and Sewerage Company Limited financial statements, which give a true and fair view of the state of affairs of Tavevo Water and Sewerage Company Limited for and as at the end of the financial year (period) ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of Tavevo Water and Sewerage Company Limited ; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of Tavevo Water and Sewerage Company Limited ; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for Tavevo Water and Sewerage Company Limited financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act section 14. The Directors are of the opinion that Tavevo Water and Sewerage Company Limited financial statements give a true and fair view of the state of Tavevo Water and Sewerage Company Limited transactions during the financial year ended June 30, 2024, and of Tavevo Water and Sewerage Company Limited financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Tavevo Water and Sewerage Company Limited, which have been relied upon in the preparation of Tavevo Water and Sewerage Company Limited financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that Tavevo Water and Sewerage Company Limited will not remain a going concern for at least the next twelve months from the date of this statement.


Approval of the financial statements

The company financial statements were approved by the Board on 9/12/ 2024 and signed on its behalf by:

.....


Name: Alex Mjomba

Chairperson of the Board

.....


Name: Benson Mwangoi

Managing Director

REPUBLIC OF KENYA



Enhancing Accountability

Telephone: +254-(20) 3214000
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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, 2024

PREAMBLE

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

- A. Report on 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 the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Adverse Opinion is issued when the Auditor-General determines that the financial statements are materially misstated and are not fairly presented in accordance with the applicable financial reporting framework. The Report on the Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Tavevo Water and Sewerage Company Limited set out on pages 1 to 42, which comprise the statement of financial

Report of the Auditor-General on Tavevo Water and Sewerage Company Limited for the year ended 30 June, 2024

position as at 30 June, 2024 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Tavevo Water and Sewerage Company Limited as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and do not comply with the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Material Uncertainty Related to Going Concern

The statement of financial position reflects current assets balance of Kshs.653,458,192 and current liabilities of Kshs.985,039,193 resulting into negative working capital of Kshs.331,581,001 representing a current ratio of 0.66. The increasing negative working capital and current ratio of less than one (1) is an indication that the Company may not meet its obligations as and when they fall due.

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

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

2. Unsupported Cash and Cash Equivalents

The statement of financial position and Note 20 to the financial statements reflect bank and cash balances of Kshs.196,275,617. The bank balances of four out of the fifteen (15) bank accounts held by the Company were amended in the revised financial statements as indicated below:

No.	Bank Name	Revised FS- Kshs.	Original FS- Kshs.	Adjustment- Kshs.
1	COOP-WSTF	48,555,905	34,488,111	14,067,794
2	KCB WSTF WILD LIFE	1,662,286	75,409	1,586,877

No.	Bank Name	Revised FS- Kshs.	Original FS- Kshs.	Adjustment- Kshs.
3	KCB WSDP	93,719,549	92,858,692	860,857
4	KCB EXPENDITURE	7,332	(30,654)	37,986

However, revised bank reconciliation statements to reflect the changes in the bank balances from Kshs.179,717,950 to Kshs.196,275,617 were not provided.

Further, as previously reported, an amount of Kshs.3,040,246 in respect of Posta Pay had not been supported with details of account, bank reconciliations and certificate of balance.

In the circumstances, the accuracy and completeness of the bank balances totalling Kshs.196,275,617 could not be confirmed.

3. Unexplained Variances

3.1 Water Sales

The statement of profit or loss and other comprehensive income and Note 6 to the financial statements reflect operating revenue of Kshs.377,355,010, which includes water sales of Kshs.374,236,350. Review of the monthly billing reports generated from the Tavevo Pick pay system for the period under review indicates that the total water bill amounted to Kshs.372,647,955, resulting in an unexplained variance of Kshs.1,588,495.

In the circumstances, the accuracy and completeness of the water sales of Kshs.374,236,350 could not be confirmed.

3.2 Wasreb Levy

The statement of profit or loss and other comprehensive income and Note 10 to the financial statements reflects general and operations expenses amounting to Kshs.509,093,936. Included in this amount is Wasreb Levy amounting to Kshs.14,969,454. However, re-computation of the Wasreb levy based on the water bills as stipulated by Wasreb License Guidelines 8.0, contained under Gazette Notice 12188 of 23 November, 2018 results to Kshs.14,905,904, being 4% of Kshs.372,647,595 as reflected in the Pick Pay system report for the financial year under review, resulting to an unexplained variance of Kshs.63,550.

In the circumstances, the accuracy and completeness of the Wasreb Levy amounting to Kshs.14,969,454 could not be confirmed.

3.3 Inventories

The statement of financial position and Note 17 to the financial statements reflects inventories balances of Kshs.111,968,352 (2023: Kshs.75,875,861) for the year under review. However, there was no policy guiding the valuation of inventory and the prior year audited financial statements reflected a balance of Kshs.122,431,321. The resultant variance of Kshs.46,555,460 was not reconciled or explained.

In the circumstances, the accuracy and completeness of the inventory's balances of Kshs.111,968,352 could not be confirmed.

4. Undisclosed Donated Assets

The statement of financial position and Note 15 to the financial statements reflects Kshs.917,346,760 as property, plant and equipment which include motor vehicles Nil balance. During physical verification of the Company's assets, it was established that the Company is in use of ten (10) motor vehicles and fourteen (14) motor cycles donated by Coast Water Development Agency. However, the assets were not recognized in the financial statements and the details on the donations such as dates, values, conditions and hand over report were not provided for audit review.

In the circumstances, the accuracy, completeness and ownership of motor vehicle balance of Kshs.63,393,107 could not be confirmed.

5. Misclassification of Grants Income

The statement of profit or loss and other comprehensive income and Note 7 to the financial statements reflect total income of Kshs.547,153,600, which include grants income of Kshs.151,793,875. However, under the disclosure Note 7, Management did not provide detailed analysis of the grant income as prescribed by the Public Sector Accounting Standard Board reporting template.

In the circumstances, the accuracy and completeness of the grant income totaling to Kshs.151,793,875 could not be confirmed.

6. Unsupported Lease Fees Obligations

The statement of financial position and Note 26 to the financial statement reflects lease fees obligation to Coast Water Works Development Agency (CWWDA) amounting to Kshs.129,397,816. However, the fees amount was not supported with lease agreement between the Agency and the Company.

In the circumstances, the accuracy and completeness of the lease fees obligations of Kshs.129,397,816 could not be confirmed.

7. Irregular Legal Costs

The statement of profit or loss and other comprehensive income and Note 10 to the financial statements reflects general and operations expenses amounting to Kshs.509,093,936, which include legal costs of Kshs.5,324,214. An amount of Kshs.366,658 was paid to a supplier through a legal firm due to breach of contract by the Company. Further, the Company paid Kshs.1,052,775 on matters of breach of employment contracts. However, these costs could have been avoided had the Company not violated the contract terms.

In addition, the Company paid the Company Secretary legal fees of Kshs.1,280,000. However, the appointment letter was not provided for audit review.

In the circumstances, the accuracy and completeness of the legal fees amounting to Kshs.2,699,433 could not be confirmed.

8. Non-Revenue Water

The statement of profit or loss and other comprehensive income and Note 6 to the financial statements reflects operating revenue of Kshs.377,355,010. During the year under review the Company produced 6,155,771 cubic meters of water, out of which only 3,084,302 cubic meters was billed to customers. The balance of 3,071,469 cubic meters or approximately 50% of the total volume produced represents Non-Revenue Water (NRW), which is 25% above the allowable loss of 25% was not billed. Further the non-revenue water reported of 50% is an increase by 8% from the 42% reported in the previous financial year. The NRW of 3,071,469 cubic meters have resulted in loss of sales estimated at Kshs.386,226,670 at the average rate of Kshs.134 per m³. The increase is an indication of Management laxity in prevention and reduction of the non-revenue water.

In the circumstances, the significant level for non-revenue water had a negative impact on the Company's profitability and could affect sustainability of its operations.

9. Use of Estimated Billing

The statement of profit or loss and other comprehensive income and Note 6 to the financial statements reflects operating revenue of Kshs.377,355,010. Analysis of billing reports obtained from Tavevo Pick pay billing system from the month of September, 2023 to June, 2024 revealed that during the financial year ended 30 June, 2024, water sales amounting to Kshs.36,925,955 (or 10%) of total water sales reported were calculated using estimated meter readings rather than actual meter readings. Further, the estimated water bills for the month of July and August, 2023 were not provided for audit.

In the circumstances, the accuracy and completeness of operating revenue amounting to Kshs.377,355,010 could not be confirmed.

10. Unsupported Fuel, Oils and Lubricants

The statement of profit or loss and other comprehensive income and Note 10 to the financial statements, reflects general and operations expenses of Kshs.509,093,936, which include fuel, oils and lubricants expenses of Kshs.19,913,159. Review of the fuel register maintained revealed that fuel worth of Kshs.4,716,378 was drawn without detailed orders.

In the circumstances, the accuracy, completeness and regularity of fuel, oils and lubricants expenses of Kshs.4,716,378 could not be confirmed.

11. Undisclosed Payables on Unsettled Terminal Dues

The statement of financial position and Note 27 to the financial statement reflects trade and other payables amounting to Kshs.943,899,142. During the period under review, fifty-

two (52) contracted employees exited the Company at the end of their contracts. To settle their terminal dues amounting to Kshs.25,376,368, Management, guided by the County Labor Office agreed on a payment plan over a twenty-five (25) months period, commencing in April, 2024. However, Management did not provide a status report on the implementation of the payment plan, balance outstanding as at 30 June, 2024 and how the balance was disclosed in the financial statements presented for audit.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.943,899,142 could not be confirmed.

12. Undisclosed Provision for Doubtful Receivables

The statement of financial position and Note 18 to the financial statements reflect net trade and other receivables balance of Kshs.341,364,633 which include provision for bad and doubtful receivable of Kshs.Nil. However, it was not explained why the Company has not provided for bad and doubtful debts contrary to IAS 1 which require an entity to disclose its material accounting policies.

In the circumstances, the accuracy, completeness and adequacy of provision for bad and doubtful receivables could not be confirmed.

13. Presentation of the Financial Statements

The financial statements for the year ended 30 June, 2024 had the following anomalies on presentation;

- i. The statement of profit or loss and other comprehensive income, the statement of financial position and statement of cashflows had been prepared without presenting the previous year 2022-2023 comparative balances. The previous balances are indicated as restated but the restatement was not explained or supported. This is contrary to the prescribed format by Public Sector Accounting Standards Board (PSASB).
- ii. The statement of financial position and Note 15 to the financial statements reflects Kshs.917,346,760 as property, plant and equipment (PPE). However, the PPE movement schedule in Note 15 is not presented on comparative basis between the previous and the current financial years. This is contrary to the prescribed format by Public Sector Accounting Standards Board (PSASB).
- iii. The statement of cashflow presented was prepared using the indirect method instead of the direct method prescribed by the Public Sector Accounting Standard Board.
- iv. The statement of cashflow reflect prior year adjustment of Kshs.2,981,077 (2023: Kshs.75,836,861) which was not supported.

- v. Management has not provided the reconciliation of the operating profit/(loss) of Kshs.(166,557,613) to the cash generated from (used in) operations of Kshs.103,567,088.

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

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on comparable basis of Kshs.1,084,143,607 and Kshs.547,153,600 respectively, resulting in revenue shortfall of Kshs.536,990,007, or 50% of the budget. Similarly, the Company expended Kshs.1,061,944,663 against an approved budget of Kshs.1,777,235 693, resulting in an under absorption of Kshs.715,291,030, or 40% of the budgeted amount.

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

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Prior Year Audit Issues

In the audit report of the previous financial year, several issues were raised under the Reports on; Financial Statements, Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance which remained unresolved as 30 June, 2024. Management indicated the status of the issues as having been resolved but did not provide the evidence to support that position.

Other Information

The Directors are responsible for the other information set out on page iii to xxvii, which comprise of Key Entity Information, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors' Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Tavevo Water and Sewerage Company Limited financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information and I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources sections of my report, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Unsupported Procurement

The statement of financial position and Note 15 to the financial statements reflects property, plant and equipment balance of Kshs.917,346,760. Included in this balance is Kshs.63,393,107 in respect of Water Meters which in turn includes additions of Kshs.23,081,720. The Company procured 2,000 cold water meters with stop corks for Kshs.22,627,580 and the items delivered on diverse dates. However, the standard procurement documents including approved procurement plan and budget, requisition, item specifications, tender evaluation report and professional opinion were not provided for audit.

In the circumstances, the regularity of the procurement of meters worth Kshs.22,627,580 could not be confirmed.

2. Regularity of Human Resource Management Practices

The statement of profit or loss & other comprehensive income and Note 15 to the financial statements reflects staff costs of Kshs.128,319,021. However, the following anomalies were observed:

2.1 Lack of Approved Scheme of Service

The Company appointed sixty-one (61) officers over the period under audit review. However, the Company did not have in place an approved scheme of service defining job descriptions and qualifications for the various job levels. This is contrary to Clause 2.7 of the Company Human Resource Policy and Procedures Manual, 2023 stating that the Company shall develop schemes of service (appointment and career progression guidelines) for its employees which shall be approved by the Board and the schemes of service provide clear job descriptions and specifications/qualifications for all job levels for the various careers and professions in the Company.

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

2.2 Lack of Affirmative Action for Persons Living with Disabilities (PLWD)

The Company engaged one hundred and ten (110) officers on contracts, with fifty-six (56), fifty (50) and four (4) officers on one-year, three-year and five-year contracts respectively. However, none of the staff engaged on contract terms were persons living with disabilities, contrary to Section 13 of the Persons with Disabilities Act, 2003 which requires that employers reserve at least 5% of their employment positions for people with disabilities.

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

2.3 Lack of Ethnic Diversity in Staff Establishment

The Company had six officers in Senior Management positions, out of whom five, or 83%, were from a dominant ethnic community, and two hundred and one (201), or 89% of the Company's two hundred and twenty-five (225) non-managerial staff were from the same ethnic community contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which provides that no public establishment shall have more than one third of its staff from the same ethnic community.

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

2.4 Staff Over Establishment

Review of human resource records show that the Company had 19,306 active connections as at 30 June, 2024, against two hundred forty-three (243) members of staff.

Clause 2.8 of the Company Human Resource Policy and Procedures Manual, 2023, provide that in determining the staff establishment, the Company shall be guided by the Wasreb sector benchmarks on staff productivity, measured in terms of number of staff per 1,000 connection and Section 3.0 of the Company Approved Tariff Structure for the period 2023/2024 to 2025/2026 that sets the number of staff per 1,000 connections at twelve (12). The Company's establishment was therefore above the guided number of two hundred thirty-two (232) by Wasreb, the Company Manual and the approved tariff by an excess of eleven (11) officers.

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

2.5 Irregular Payment of Salaries and Allowances to Officers on Secondment

- (a) The Board of Directors on 8 September, 2022, renewed the contract of a Technical Manager, Job Group T12, for a period of five years, effective from 15 January, 2023. The officer was then seconded to the County Government of Taita Taveta on 12 April, 2024 as a Director, Water and Sanitation. However, the details on the duration of the secondment and the board approval for secondment of the employee engaged on contract terms to the county government was not provided. Further, the officer drew salaries and allowances amounting to Kshs.389,835, for the months of April, May and June, 2024 from the Company despite offering his services to the County Government of Taita Taveta. This was contrary to Clause B.33(6) of the Human Resource Policies and Procedures Manual for the Public Service, May, 2016 that states that officers on secondment will be paid their salaries and other allowances by the organizations in which they are deployed.
- (b) The Company engaged a business development, commercial services and ICT manager on 3 February 2020 for a three-year contract, which was further reviewed to five years one on 18 February 2022 and set to lapse on 3 February 2025. On 22 December 2022, the officer was seconded to the Taita Taveta County Government. However, the Company paid the officer an amount of Kshs.1,023,323 over the seven months period, from December 2023 to June 2024, on secondment to the County Government.

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

2.6 Irregular Recruitment and Appointment of Staff

During the period under review, Management appointed various officers to positions of Financial Accountant, Internal Audit Assistant Legal and Board Affairs Officer for three years contracts and ICT Manager for five-year contract. However, the shortlisting report, interview score sheets, detailed interview reports, recommendation of the Staff Advisory Committee and Board ratification of the appointments were not provided for audit. The positions could not be traced in the Company's Career Progression Guidelines and hence the source of the minimum qualifications adopted for the recruitment exercise could not be confirmed.

Further, review of the personal files of the appointed officers and the vacancy as advertised revealed that two officers, Financial Accountant and Internal Audit Assistant, appointed on three-years contracts with effect from 20 May, 2024, did not possess the minimum requirements. The former did not possess CPA(K) qualification while the latter did not possess minimum CPA Part II qualification which were mandatory requirements as per the vacancy advertisement dated 5 January, 2024. No justification was provided for appointing applicants who did not possess the minimum qualifications despite the shortlisting provided confirming that other applicants possessed the minimum qualifications.

In the circumstances, the regularity of the appointments could not be confirmed.

2.7 Unsupported Conversion of Terms of Engagement Contracts

During the period under review, Management appointed fifty-six (56) officers to one-year contracts effective from 8 January, 2024 to 7 January, 2025. Information provided indicated that the officers were casuals but the board resolved to convert the terms of engagement to one-year contract terms. However, the Board minutes approving the conversion, the recommendations by the Staff Advisory Committee, results of suitability/appraisal tests of the casuals, approved human resources plan and indent were not provided.

In the circumstances, the regularity of the conversion of terms of engagement could not be confirmed.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON 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, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

Weak IT Internal Controls

Review of the Company's IT internal controls environment and discussion with ICT Management through questionnaire revealed that the Company does not have approved

policies on information technologies security including disaster recovery plan and IT continuity plan. In addition, the Company does not have IT strategic or Steering Committee which could result in non-implementation of IT governance.

In the circumstances, the effectiveness of internal controls and risk management could not be confirmed.

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 controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and Board of Directors

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

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 December, 2024

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

14. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2024

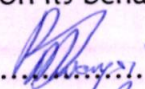
	Note	2023-2024	2022-2023 Restated
		Kshs	Kshs
Revenue			
Operating Revenue	6	377,355,010	289,929,037
Grants Income	7	151,793,875	168,755,313
Other Income	8	18,004,715	31,024,470
Total Revenue		547,153,600	489,708,820
Expenses			
Staff Costs	9	128,319,021	124,975,121
General and Operations expenses	10	509,093,936	422,130,181
Board Expenses	11	5,602,636	7,227,966
Maintenance Expenses	12	17,315,146	38,068,510
Depreciation and Amortization expenses	13	53,380,474	50,444,431
Total Expenses		713,711,213	642,846,209
Profit/(Loss) Before Taxation		(166,557,613)	(153,137,389)
Income Tax Expense/(Credit)	14	-	-
Profit/(Loss) After Taxation		(166,557,613)	(153,137,389)
Total Comprehensive Income For The Year		(166,557,613)	(153,137,389)


4 Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

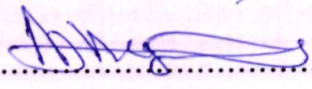
15. Statement Of Financial Position As at 30 June 2024

	Note	2023-2024	2022-2023 Restated
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	15	917,346,760	622,479,655
Intangible assets	16	2,217,772	2,184,805
Total Non-Current Assets		919,564,533	624,664,460
Current Assets			
Inventories	17	111,968,352	75,875,861
Trade and other receivables	18	341,364,633	341,145,063
Short-term deposits	19	3,849,590	2,899,940
Bank and cash balances	20	196,275,617	125,759,662
Total Current Assets		653,458,192	545,680,526
Total Assets		1,573,022,724	1,170,344,986
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	21	100,000	100,000
Fair value adjustment reserve	22	97,214,636	97,214,636
Retained earnings	23	(257,683,194)	(88,144,504)
Capital/Development Fund	24	550,768,275	199,446,371
		390,399,717	208,616,503
Non-Current Liabilities			
Service Gratuity	25	68,185,999	59,441,716
Coast Water Works Development Agency- Lease fees	26	129,397,816	129,397,816
Total Non-Current Liabilities		197,583,815	188,839,532
Current Liabilities			
Trade and other payables	27	943,899,142	734,922,610
Customer deposits	28	41,140,051	37,966,341
Total Current Liabilities		985,039,193	772,888,951
TOTAL EQUITY AND LIABILITIES		1,573,022,725	1,170,344,986

The financial statements were approved by the Board on 9/12/ 2024 and signed on its behalf by:


Name: BENSON M. MWANGI
Managing Director


Name: Aminat Sulaimin
Head of Finance


Name: _____
Chairman of the Board

ICPAK M/No: 15011

16. Statement Of Changes in Equity for the Year Ended 30 June 2024

	Ordinary share capital	Fair value adjustment reserve	Retained earnings	Capital/Development Fund	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
At July 1, 2022	100,000	97,214,636	(10,843,976)	-	86,470,660
Total comprehensive income	-	-	(153,137,389)	-	(153,137,389)
Capital/Development grants received during the year	-	-	-	199,446,371	199,446,371
Transfer of depreciation/amortization from capital fund to retained earnings	-	-	-	-	-
Proposed final dividends	-	-	-	-	-
Prior Year adjustments (Inventory Bal c/F)	-	-	75,836,861	-	75,836,861
At June 30, 2023	100,000	97,214,636	(88,144,504)	199,446,371	208,616,503
At July 1, 2023	100,000	97,214,636	(88,144,504)	199,446,371	208,616,503
Issue of new share capital	-	-	-	-	-
Total comprehensive income	-	-	(166,557,613)	-	(166,557,613)
Capital/Development grants received during the year	-	-	-	351,321,904	351,321,904
Proposed final dividends	-	-	-	-	-
Prior Year adjustments (Trade receivable adjustments)	-	-	(39,073,568)	-	(39,073,568)
Prior Year adjustments (Inventory increase during the year)	-	-	36,092,491	-	36,092,491
At June 30, 2024	100,000	97,214,636	(257,683,194)	550,768,275	390,399,717

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

17. Statement Of Cash Flows for The Year Ended 30 June 2024

	Note	2023-2024	2022-2023 Restated
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	29	(113,177,139)	(102,692,958)
Increase/decrease in receivables		(219,570)	15,068
Increase/decrease in prepayments		(949,650)	2,853,940
Increase/decrease in customer deposit		3,173,710	4,490,825
Increase/decrease in Lease fee payable		-	-
Increase/decrease in payables		208,976,532	99,192,198
Increase/decrease in gratuity payables		8,744,283	15,340,061
Increase/decrease in Long term loan		-	-
Prior year adjustments		(2,981,077)	75,836,861
Net cash flows from/(used in) operating activities		103,567,088	95,035,995
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(348,233,450)	(251,999,915)
Inventory increase		(36,092,491)	(75,875,861)
Proceeds from Donors for capital/development funds		351,321,904	199,446,371
Purchase of intangible assets		(47,096)	(391,500)
Net cash flows from/(used in) investing activities		(33,051,133)	(128,820,905)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Donors for capital/development funds		-	-
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		70,515,955	(33,784,910)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		125,759,662	159,544,572
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		196,275,617	125,759,662

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

18. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2024

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2023-2024	2023-2024	2023-2024	2023-2024		
	Kshs		Kshs	Kshs	Kshs	%
Revenue						
Operating Revenue	353,092,820	35,000,000	388,092,820	377,355,010	10,737,810	97%
Grants	998,678,397	(350,000,000)	648,678,397	151,793,875	496,884,522	23%
Other Income	57,672,390	(10,300,000)	47,372,390	18,004,715	29,367,675	38%
Total Revenue	1,409,443,607		1,084,143,607	547,153,600	536,990,007	
Expenses						
Staff Costs	142,484,759	(9,298,900)	133,185,859	128,319,021	4,866,838	96%
Board Expenses	4,532,984	1,125,000	5,657,984	5,602,636	55,348	99%
General and operations Expenses	1,188,237,864	(293,476,100)	894,761,764	509,093,936	385,667,828	57%
Maintenance expenses	31,850,000	(10,500,000)	21,350,000	17,315,146	4,034,854	81%
Depreciation and amortization	-	-	-	53,380,474	(53,380,474)	0%
Total Recurrent Expenditure	1,367,105,607		1,054,955,607	713,711,213	341,244,394	
Profit or Loss	42,338,000		29,188,000	(166,557,613)	195,745,613	
Capital Expenditure	1,041,016,397	(318,736,311)	722,280,086	348,233,450	374,046,636	48%
Total Expenditure	2,408,122,004		1,777,235,693	1,061,944,663		

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

19. Notes To the Financial Statements

1. General Information

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

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies.

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

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

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

Notes to the financial statements (continued)

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

i. *New and amended standards and interpretations in issue and effective in the year ended 30 June 2024.*

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.	Effective for annual periods beginning on or after 1 st January 2024.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2024, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2024.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2024, require entities to disclose their material accounting policy information rather than their significant accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2024.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2024, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2024.

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

Notes to the financial statements (continued)

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

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

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.*

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

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

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

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

iii. Early adoption of standards

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

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

Notes to the financial statements (continued)

4. Summary of Accounting Policies

a.) Revenue recognition

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

- i) **Revenue from the sale of goods and services** is recognized in the year in which the Tavevo water and sewerage Co. Ltd delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognized in the year in which the funds are actually received. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognized in the income statement as it accrues using the effective lease agreements.
- vi) **Other income** is recognized as it accrues.

b.) In kind contributions

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

c.) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-evaluation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Notes to the financial statements (continued)

Summary of Significant Accounting Policies

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

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

d. Depreciation and impairment of property, plant and equipment

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

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

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

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

e. Intangible assets.

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

f. Amortisation and impairment of intangible assets

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

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

Notes to the financial statements (continued)

Summary of Significant Accounting Policies

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

g. Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost,

including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in

The fair value of investment property is included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on DE recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

h. Right of use of Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Notes to the financial statements (continued)

Summary of Significant Accounting Policies

i. Fixed interest investments(bonds)

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

j. Quoted investments

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

k. Unquoted investments

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

l. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

m. Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

n. Taxation

i. Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized

directly in net assets is recognized in net assets and not in the statement of financial performance.

Notes to the financial statements (continued)

Summary of Significant Accounting Policies

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax Rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

o. Deferred Tax

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

p. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All

other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Notes to the financial statements (continued)

Summary of Significant Accounting Policies

q. Cash and cash equivalents

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

r. Borrowings

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

s. Trade and other payables

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

t. Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2012. The scheme is administered by a registered fund Manager and is funded by contributions from both the company and its employees. The company also

contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

Notes to the financial statements (continued)

Summary of Significant Accounting Policies

u. Provision for staff Leave

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

v. Exchange rate difference

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

w. Budget information

The original budget for FY 2022-2023 was approved by the Board of directors on [21-06-2022](#). Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations on the 2022-2023 budgets following the Board of director's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference,

Adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

Notes to the financial statements (continued)

Summary of Significant Accounting Policies

a. Service Concession arrangements

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

b. Comparative figures

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

c. Subsequent events

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

d. Fair value adjustment reserve

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

5. Significant judgements and sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these

Tavevo Water and Sewerage Company Ltd
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assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

Notes to the financial statements (continued)

Summary of Significant Accounting Policies

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were not issued during the period under review.

Tavevo Water and Sewerage Company Ltd
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Notes to the financial statements (continued)

6. Operating Revenue

	2023-2024	2022-2023
	Kshs	Kshs
Water sale	374,236,350	277,466,475
Meter rent	3,118,660	12,462,562
Total	377,355,010	289,929,037

Billing for other services refers to income generated from services such as reconnection fees, sales from sludge handling, bowsers, illegal connection penalties etc.

7. Grants Income

	2023-2024	2022-2023
	Kshs	Restated Kshs
Water Sanitation Development Project (I.D.A) Funding Through County Government	148,006,875	168,755,313
Water Sector Trust Fund-U.B.S.U.P	3,300,000	-
Water Sector Trust Fund- Kishenyi Kishushe W.R.U.A	487,000	-
Total	151,793,875	168,755,313

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Notes to the financial statements (continued)

8. Other Income

	2023-2024	2022-2023
Description	Kshs	Kshs
Bowser	7,555,029	15,004,740
Drilling Rig Income	(210,000)	2,934,100
Exhauster Services	2,212,300	2,531,000
Illegal Connections	1,042,257	1,895,040
Meter Replacement	42,642	110,410
Meter testing	62,000	-
Meter Damaged/Tampering	668,454	-
New Connection	1,307,984	4,043,995
Payroll Recoveries	18,300	-
Public sanitation facility	1,903,556	2,574,385
Reconnection fees	2,126,889	1,930,800
Hire of collapsible tank	10,500	-
Sewer Billing/Unblocking charges	1,258,715	-
Termination fee	6,089	-
Total	18,004,715	31,024,470

9. Staff Costs

	2023-2024	2022-2023
Description	Kshs	Kshs
Salary	98,906,408	86,617,699
Leave allowance	3,326,926	4,778,635
Gratuity/Pension	14,620,672	17,072,028
Casual wages	8,147,052	15,015,839
Training expenses	449,980	562,220
Recruitment cost	1,119,250	928,700
Housing Levy	1,748,733	-
Total	128,319,021	124,975,121
The average number of employees during the year	246	252
Permanent employees – Management	1	1
Permanent employees – Unionisable	16	16
Temporary and contracted employees	229	235
Total	246	252

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

Notes to the financial statements (continued)

10. General and Operations Expenses

	2023-2024	2022-2023
Description	Kshs	Kshs
Abstraction fees	9,099,260	5,189,426
Advertising & Awareness	504,845	1,020,146
Airtime Allowance	2,988,700	2,431,400
Bank Commission & charges	1,894,970	2,125,833
Bulk water fees	162,101,322	100,617,720
Burial expenses	225,000	204,200
Consultancy	-	1,499,300
Contracted Guards	9,204,000	7,411,800
Corporate social responsibility	154,000	60,000
Customer care & public relation	305,920	673,832
Electricity	94,755,400	63,328,094
End year gift vouchers	1,008,000	786,000
Entertainment & Office meals	1,235,479	1,706,600
Fuel oils & lubricants	19,913,159	17,849,516
Hire of transport plant & equipment	400	37,200
Insurance costs	856,656	965,245
Internet & website expenses	1,951,164	1,809,914
KRA Bills	-	1,752,478
Legal fees	5,324,214	970,284
Legalization of water resources & NEMA	-	-
Membership fees	499,100	419,560
Newspapers	-	28,770
Office & general	1,991,670	3,630,010
Postal services	25,885	61,865
Provision of Audit fees	464,000	464,000
Publishing & printing	63,500	112,500
Payroll recoveries-Overstated	-	48,000
Rent & rates	603,200	555,000
Staff Uniforms	37,700	14,000
Seminars & Conferences	469,000	-

Tavevo Water and Sewerage Company Ltd
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Notes to the financial statements (continued)

General and Operations Expenses (continued)

	2023-2024	2022-2023
Description	Kshs	Kshs
Transportation, travelling and subsistence	21,379,168	22,183,694
Wasco games	1,319,267	-
Wasreb Levy	14,969,454	11,597,161
Water treatment	3,047,029	3,751,320
World Water day	100,000	-
W.S.D.P Expenses	147,816,174	168,755,313
W.S.D.P A.R.A.P Expenses	300,000	-
WSTF-Community led total sanitation	-	70,000
W.S.T.F WRUA	414,000	-
WSTF-UBSUP Expenses	3,900,000	-
Total	509,093,936	422,130,181

11. Board Expenses

	2023-2024	2022-2023
Description	Kshs	Kshs
Chairman's Honoraria	840,000	840,000
Board of Directors Airtime	294,000	301,000
Other Directors allowances	4,468,636	6,086,966
Total Board Expenses	5,602,636	7,227,966

12. Maintenance Expenses

	2023-2024	2022-2023
Description	Kshs	Kshs
Refurbishment & maintenance of assets	610,589	1,028,608
Electro-mechanical	663,598	2,090,001
Maintenance of water supplies	9,056,588	20,334,084
Maintenance of motor vehicles	5,679,037	11,372,120
SMS Billing & maintenance	933,326	2,957,742
ICT equipment & software maintenance	372,008	285,955
Total Maintenance Expenses	17,315,146	38,068,510

Notes to the financial statements (continued)

13. Depreciation and Amortization Expenses

	2023-2024	2022-2023
Description	Kshs	Kshs
Property, plant and equipment	53,366,345	50,326,981
Intangible assets	14,129	117,450
Total Depreciation and Amortization	53,380,474	50,444,431

14. Income Tax Expense/(Credit)

Current taxation

	2023-2024	2022-2023 Restated
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	-	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	-	-

Tavevo Water and Sewerage Company Ltd
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Notes to the financial statements (continued)

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

	2023-2024	2022-2023
	Kshs	Restated
	Kshs	Kshs
Profit/Loss before taxation	(166,557,613)	(153,137,389)
Tax at the applicable tax rate of 30%	-	-
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	(166,557,613)	(153,137,389)

No Tax was paid at the end of the period since there was a reported loss of Kshs. 166,557,613.

Notes to the financial statements (continued)

15. Property, Plant and Equipment

	Computers	Plant and Machinery	Meters	Furniture & Fittings	Office equipment	Buildings	Water distribution systems	Motor Vehicles/Cycles	Capital work in Progress	Total Tangible assets
	30%	12.5%	12.5%	12.5%	12.5%	2.5%	2.5%	25%		
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost/valuation										
As at 1-07-2022	9,097,969	31,806,482	125,749,641	3,686,875	6,646,821	11,823,083	181,000,931	85,970,000	94,416,888	550,198,690
Additions 22/23	-	3,457,032	-	145,400	-	-	-	-	248,397,483	251,999,915
Overstated Water distribution year 2021/2022	-	-	-	-	-	-	(887,524)	-	-	(887,524)
Reclassification to Water distribution	-	-	-	-	-	-	93,283,564	-	(93,283,564)	-
As at 1-07-2023	9,097,969	35,263,514	125,749,641	3,832,275	6,646,821	11,823,083	273,396,971	85,970,000	249,530,807	801,311,081
Additions 23/24	1,711,100	4,353,021	23,081,720	-	1,536,516	-	-	-	317,551,093	348,233,450
As at 30-06-2024	10,809,069	39,616,535	148,831,361	3,832,275	8,183,337	11,823,083	273,396,971	85,970,000	567,081,900	1,149,544,531
Depreciation										
As at 1-07-2023	7,311,168	14,173,426	66,834,334	3,638,664	5,055,897	1,260,614	15,537,322	65,020,000	-	178,831,425
Charge for the year 2023	513,330	4,952,066	18,603,920	193,611.00	1,022,917	295,577	6,834,924	20,950,000	-	53,366,345
As at 30-06-2024	7,824,498	19,125,492	85,438,254	3,832,275	6,078,814	1,556,191	22,372,246	85,970,000	-	232,197,770
NBV at 30.06.2024	2,984,571	20,491,043	63,393,107	0	2,104,523	10,266,892	251,024,725	-	567,081,900	917,346,760
NBV at 30.06.2023	1,786,801	21,090,088	58,915,307	193,611	1,590,924	10,562,469	257,859,648	20,950,000	249,530,807	622,479,655

Tavevo Water and Sewerage Company Ltd
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Notes to the financial statements (continued)

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

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

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land & Buildings	11,823,083	1,556,191	10,266,892
Plant and machinery	39,616,535	19,125,492	20,491,043
Motor vehicles, including motorcycles	85,970,000	85,970,000	-
Computers and related equipment	10,809,069	7,824,498	2,984,571
Office equipment, furniture, and fittings	8,183,337	6,078,814	2,104,523
Meters	148,831,361	85,438,254	63,393,107
Furniture & Fittings	3,832,275	3,832,275	0
Water distribution systems	273,396,971	22,372,246	251,024,725
Capital work in progress	567,081,900	-	567,081,900
TOTAL	1,149,544,531	232,197,770	917,346,760

Favevo Water and Sewerage Company Ltd
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Notes to the financial statements (continued)

16. Intangible Assets

	2023-2024	2022-2023
	Kshs	Kshs
COST		
At July 1	6,599,170	6,207,670.00
Additions	47,096	391,500.00
Transfer to investment property	-	-
Disposals	-	-
At June 30	6,646,266	6,599,170
AMORTISATION		
At July 1	(4,414,365)	(4,296,915)
Charge for the year	(14,129)	(117,450)
Transfer to investment property	-	-
Disposals	-	-
At June 30	(4,428,494)	(4,414,365)
NET BOOK VALUE		
At June 30	2,217,772	2,184,805

17. Inventories

Description	2023-2024	2022-2023 Restated
	Kshs	Kshs
Assets	-	-
Consumables	111,968,352	75,875,861
Less: Impairment of Stocks	-	-
Total	111,968,352	75,875,861.00

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

Tavevo Water and Sewerage Company Ltd
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Notes to the financial statements (continued)

18. (a) Trade and Other Receivables

	2023-2024	2022-2023
	Kshs	Kshs
Trade receivables (note 18(b))	335,536,225	335,344,260
Staff receivables (note 18 (c))	765,513	992,186
Taita Taveta County receivable	3,878,616	3,878,616
BOD Receivable	240,728	240,728
Staff Imprest	892,940	638,662
Kenya Commercial Bank	18,150	18,150
Pan-African Insurance co. Ltd	32,461	32,461
Gross trade and other receivables	341,364,633	341,145,063
Provision for bad and doubtful receivable	-	-
Net trade and other receivables	341,364,633	341,145,063
	=====	=====

18. (b) Trade Receivables

	2023-2024	2022-2023
	Kshs	Kshs
Gross trade receivables	335,536,225	335,344,260
Provision for doubtful receivables	-	-
	335,536,225	335,344,260
	=====	=====
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	13,421,449	13,413,770
Between 30 and 60 days	10,066,087	10,060,328
Between 61 and 90 days	6,710,725	6,706,885
Between 91 and 120 days	16,776,811	16,767,213
Over 120 days	288,561,154	288,396,064
	335,536,225	335,344,260
	=====	=====

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

Notes to the financial statements (continued)

18. (c) Staff Receivables

	2023-2024	2022-2023
	Kshs	Kshs
Gross staff advances	765,513	992,186
Provision for impairment loss	-	-
Net staff advances	765,513	992,186
Less: Amounts due within one year	765,513	992,186
Amounts due after one year	-	-

19. Short Term Deposits

	2023-2024	2022-2023
	Kshs	Kshs
Deposit receivable - Rented property	46,000	46,000
Wasreb Performance Guarantee-Cash collateral	3,803,590	2,853,940
Total	3,849,590	2,899,940

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

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

Tavevo Water and Sewerage Company Ltd
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Notes to the financial statements (continued)

20. Bank and Cash Balances

	2023-2024	2022-2023
	Kshs	Kshs
..		..
Current Accounts	12,265,971	9,264,835
Mobile money accounts	541,175	79,101
Project accounts	183,415,070	116,415,726
Cash in Hand	53,400	-
Total	196,275,617	125,759,662
	=====	=====

Tavevo Water and Sewerage Company Ltd
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Notes to the financial statements (continued)

Detailed analysis of the cash and cash equivalents

	2023-2024	2022-2023
	Kshs	Kshs
a). Current Accounts		
Co-operative Bank - Customer deposit a/c 01136220957300	9,024,443	4,848,830
KCB-collection a/c-1108161227	193,949	972,120
KCB-expenditure a/c-1108161332	7,332	199,382
Co-operative Bank - Drilling Rig a/c 01141220957305	-	204,256
Posta Pay	3,040,246	3,040,246
Sub-Total	12,265,971	9,264,835
b). Mobile money accounts		
M-PESA Paybill-913350	541,175	79,101
Sub-Total	541,175	79,101
(c). Project accounts		
K.C.B - WSDP a/c 1242765387	93,719,549	53,685,756
K.C.B-WSTF Voi PSF 1316970515	581,711	-
KCB-W.S.T.F UBSUP a/c 1268029874	100,002	106,517
Co-operative Bank - ARAP a/c 01141220957302	119,516	119,994
K.C.B-WSTF C.L.S.G a/c 1282488406	5,239	4,626
Co-operative Bank - W.S.T.F Kishenyi kishushe a/c01141220957304	34,815,323	60,408,727
Co-operative Bank -W.S.T.F P.S.F Manga a/c 01141220957303	1,267,952	2,090,105
Co-operative Bank -W.S.T.F Kaloleni project A/c 01102209573002	48,555,905	
K.C.B - W.S.T.F Wildlife support 1313168114	1,662,286	-
Co-operative Bank -W.S.T.F W.R.U.A 01102209573001	72,770	-
K.C.B -W.S.T.F Msharinyi PSF 1323245626	2,514,815	-
Sub-Total	183,415,070	116,415,726
(d). Cash in Hand		
Cash in Hand-Cashier	53,400	-
Sub-Total	53,400	-
Grand Total	196,275,617	125,759,662

Tavevo Water and Sewerage Company Ltd
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Notes to the financial statements (continued)

21. Ordinary Share Capital

	2023-2024	2022-2023
	Kshs	Kshs
1,000 ordinary shares of Kshs. 100/= par value each	100,000	100,000

22. Fair Value Adjustment Reserve

	2023-2024	2022-2023
	Kshs	Kshs
Fair value adjustment reserve	97,214,636	97,214,636

23. Retained Earnings

	2023-2024	2022-2023
	Kshs	Kshs
Retained earnings	(257,683,194)	(88,144,504)

24. Capital/Development Fund

	2023-2024	2022-2023
	Kshs	Kshs
Water Sanitation Development Project (I.D.A) Funding Through County Government	280,393,025	136,153,243
Water Sector Trust Fund Wildlife support program	13,189,181	-
Water Sector Trust Fund Kishushe Kishenyi water project	-	60,726,552
Water Sector Trust Fund- Voi Public sanitation facility	3,518,470	-
Water Sector Trust Fund- Manga Public sanitation facility	1,711,051	2,566,576
Water Sector Trust Fund- Kaloleni water project	49,051,707	-
Water Sector Trust Fund- Msharinyi P.S.F	3,458,470	-
Total	351,321,904	199,446,371

The above are grants utilised for capital projects from donors and development partners.

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

Notes to the financial statements (continued)

25. Service Gratuity

	2023-2024	2022-2023
	Kshs	Kshs
Service Gratuity	68,185,999	59,441,716

26. Coast Water works Development Agency-Lease fees

	2023-2024	2022-2023
	Kshs	Kshs
Coast Water Works Development Agency-Lease fees	129,397,816	129,397,816

27. Trade and other payables

	2023-2024	2022-2023
	Kshs	Kshs
Coast Water Works Development Agency Bulk water supply	653,142,565	539,461,243
Other payables	247,435,861	164,543,375
KENAO fees	6,716,000	6,252,000
KPLC	8,053,174	3,542,747
Payroll Liabilities	27,951,908	20,984,714
KCB payable	76,606	76,606
Staff Payables	523,028	61,924
Total	943,899,142	734,922,610

NB: Staff payables figure (Kshs. 523,028) includes staff imprest payable for Wasco games of Kshs. 454,444.

	2023-2024	% of the Total	2022-2023
	Kshs		Kshs
Under one year	47,194,957	5%	37,361,840
1-2 years	207,657,811	22%	161,566,103
2-3 years	151,023,863	16%	117,053,591
Over 3 years	538,022,511	57%	418,941,076
Total	943,899,142	100%	734,922,610

Tavevo Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

Notes to the financial statements (continued)

28. Customer Deposit

	2023-2024	2022-2023
	Kshs	Kshs
Opening Balance	37,966,341	33,475,516
Add: deposits received during the year	3,203,710	4,508,325
Less: Refunded deposits during the year	(30,000)	(17,500)
Closing balance	41,140,051	37,966,341
Total	41,140,051	37,966,341

	2023-2024	% of the total
	Kshs	
Under one year	3,173,710	8%
1-2 years	4,490,825	11%
2-3 years	5,460,110	13%
Over 3 years	28,015,406	68%
Total	41,140,051	

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Notes to the financial statements (continued)

29. Notes to The Statement of Cash Flows

	2023-2024	2022-2023 Restated
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Operating profit/(loss)	(166,557,613)	(153,137,389)
Depreciation	53,366,345	50,326,981
Amortization	14,129	117,450
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	(113,177,139)	(102,692,958)
	=====	=====
(b) Analysis of changes in loans		
Balance at beginning of the year	-	-
Receipts during the year	-	-
Repayments during the year	-	-
Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Balance at end of the year	-	-
	=====	=====
(c) Analysis of cash and cash equivalents		
Cash at bank	12,265,971	9,264,835
Cash in hand	53,400	-
Project accounts	183,415,070	116,415,726
Mobile money	541,175	79,101
Balance at end of the year	196,275,617	125,759,662
	=====	=====

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Notes to the financial statements (continued)

Other Disclosures

30. Related Party Disclosures

County Government of Taita Taveta

The County Government of Taita Taveta is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County Government of Taita Taveta has provided full guarantees to all long-term lenders of the Company, both domestic and external.

Other related parties include:

- The County Department in charge of Water
- County Government of Taita Taveta
- Coast Water works Development Agency
- W.A.S.R.E.B (Water Services Regulatory Board)
- W.A.R.M.A
- Water Sector Trust Fund
- Key management
- Board of directors
- Others (specify)

Transactions with related parties

	2023-2024	2022-2023
	Kshs	Kshs
a.) Purchases from related parties		
Purchase of water from C.W.W.D.A	162,101,322.00	100,617,720
Total	162,101,322.00	100,617,720
b.) Key management compensation		
Directors' emoluments	5,602,636	7,227,966
Total	5,602,636	7,227,966

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Notes to the financial statements (continued)

31. Incorporation

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

32. Events After the Reporting Period

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

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20. Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Material Uncertainty related to going concern	One of the main turnarounds being procurement of an E.R.P system cutting across all departments which will eliminate inefficiencies in the operations of the Company where the manual nature of some operations cause inefficiencies leading to losses. The system is at Contract signing stage and will be rolled out in September 2024.	Resolved	
2.	Unsupported Cash and Bank Balances	The reconciliation process for Posta pay had commenced with Posta providing statements dating back to 2016. Management is currently confirming the remittances from Posta to Tavevo for conclusion of the balances and report on the same. The reconciliation exercise is ongoing between the two organisations. The account is not operational and was actually closed out. The authority for the opening and agreements is not available for the management to share being the same was done way with.	Not resolved	30/6/2025
3.	Inaccuracies in statement of cashflows	Management and has done the cashflow for this reporting period.	Not resolved	30/06/2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframes: (Put a date when you expect the issue to be resolved)
4.	Un explained Variance in Customer Deposits	As a control measure, the organization now operates a separate bank account for customer deposits which is shielded from operational financial constraints. The organization has currently built the balance to Kshs. 9,024,442.65 as at 30 th June 2024.	Not resolved	31/12/2024
5.	Long Outstanding Receivables	Management noted the issue however it is unable to write off long outstanding receivables until a proper survey is conducted on status of receivables. Management however made arrangements and got a more modern and efficient billing system which covers debt reports widely and has been in operation since October 2023	Not resolved	31/12/2024
6.	Variance in Coast water works development agency payables	A joint reconciliation has been undertaken between Tavevo and Coast water works and joint balance arrived at for 30th June 2024 as reported in this report.	Resolved	
7.	Undisclosed Property, plant and equipment	The matter was resolved in the final report of 2023/2024.	Resolved	
8.	Bulk water fees on estimated bills	Management agrees with this observation and has been constantly pushing for metering of all offtakes along the Mzima line within Taita Taveta County. Currently monthly	Resolved	


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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		meter reading is done jointly with the Coast water and Tavevo team.		
9.	Staff Costs paid outside payroll	Currently our payroll system has reached the maximum capacity of staff it can hold hence the reason why the excess staff payments are done outside of the system. However, the management has finally procured an E.R.P system which includes a Human resource management module which will put an end to the matter. There has not been any risk of exposure since the same payroll passes through various stages of approval.	Resolved	
	Other Matter			
1.	Budgetary Control and Performance	Tavevo's funding structure is such that we bill and collect as per the ability of the company and do not receive exchequer funding. This causes an expenditure shortfall whenever we don't attain our revenue ceilings as planned during budgeting.	Resolved	30/06/2024
2.	Unresolved Prior Year Matters	Management has noted this and resolved the same from the current period report for the year ended 30 th June 2024.	Resolved	30/06/2024
3.	Lack of Gender balance and ethnicity	Management has noted the observation. Due to the nature of TAVEVO's jobs more so in the engineering services department, the company receives majority of	Resolved	30/06/2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframes: (Put a date when you expect the issue to be resolved)
		<p>applications from male candidates. However, the company is on course to achieving proper gender mainstreaming. There was a slight improvement from the October 2023 recruitment exercise where a ratio of male to women of 68% to 32% was observed. The same will continue to be observed in subsequent appointments.</p>		

Name: BENSON M. MWANGI

Signature: 

Managing Director

Date: 9/12/2024

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Appendix II: Projects Implemented by the Company
Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Water Sanitation Development Project (I.D.A) Funding Through County Government	IDA Credit no. 60300	World Bank	5 years	20/05/2019	Yes	Yes
Water Sector Trust Fund Wildlife support program	RUP/CPI/III/W/006/059	W.S.T.F	12 months	11/12/2019	Yes	Yes
Water Sector Trust Fund- Manga PSF	RUP/CPI/II/S/006/031	W.S.T.F	12 months	23/02/2022	Yes	Yes
Water Sector Trust Fund - Kaloleni water project.	RUP/CPI/III/W/006/061	W.S.T.F	5 Months	17/02/2024	Yes	Yes
Water Sector Trust Fund Voi P.S.F	02HS/CWW/DA/TAITA/TAVETA/TA VEVO/012	W.S.T.F	12 months	11/12/2019	Yes	Yes
Water Sector Trust Fund- Msharinyi P.S.F	RUP/CPI/III/S/006/061	W.S.T.F	12 months	18/12/2023	Yes	Yes
Water Sector Trust Fund-Kishenyi Kishushe water project	RUP/CPI/II/W/006/037	W.S.T.F	12 months	23/02/2022	Yes	Yes

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Status of Projects completion

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
Water Sanitation Development Project (I.D.A) Funding Through County Government	2,500,000,000	1,403,600,722	56%	2,500,000,000	2,500,000,000	Word Bank IDA
Water Sector Trust Fund Wildlife support program	17,167,322	13,114,772	76%	798,340	798,340	W.S.T.F
Water Sector Trust Fund- Manga P.S.F	5,808,548	4,331,301	74%	5,717,833	5,717,833	W.S.T.F
Water Sector Trust Fund - Kaloleni water project.	69,973,673	14,216,095	20%	69,973,673	69,973,673	W.S.T.F
Water Sector Trust Fund- Voi P.S.F	5,982,323	2,942,759	49%	5,982,323	5,982,323	W.S.T.F
Water Sector Trust Fund- Msharinyi P.S.F	5,982,323	956,655	16%	5,982,323	5,982,323	W.S.T.F
Water Sector Trust Fund-Kishenyi Kishushe water project	87,521,466	25,940,904	30%	87,521,466	87,521,466	W.S.T.F

