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ON

**TAVEVO WATER AND SEWERAGE
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2020**

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TAVEVO WATER AND SEWERAGE COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2020

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

Tavevo Water and Sewerage co. ltd
Annual Reports and Financial Statements
For the year ended June 30, 2020

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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 (WASREB) as a Water Service Provider (WSP) under the current Water Act, 2016. The entity is domiciled in Taita Taveta County, Kenya.

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

Principal Activities

The principal activity of Tavevo is to provide adequate Portable Piped Water and Sanitation Services to the residents of Taita Taveta County in Kenya.

Vision

To be the leading provider of quality affordable water and sewerage services in Taita Taveta County.

Mission

To provide adequate portable piped water and sewerage services efficiently and economically to the community in Taita Taveta County.

Core Objectives

- i. To provide our customers with adequate and clean water.
- ii. To achieve financial sustainability and improved management information systems.
- iii. To attract and retain competent and motivated staff.
- iv. To seek review of institutional and legal framework for improved performance.

Directors

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

1.	Constantine Malai	- Chairman	-Left on 8 th November 2019.
2.	Benson Mwangoi	-Managing Director	-Left on 31 st December 2019.
3.	Mohamed Ali	-Director	-Left on 12 th May 2020.
4.	Dr. Jimmy Kihara	-Director	-Left on 29 th May 2020.
5.	Peter Mbogho	-Director	-Left on 10 th June 2020.
6.	Agnes Mwasi	-Director	-Appointed on 15 th March 2018
7.	Elistone Mwamtunge	-Director	-Appointed on 15 th March 2018
8.	Houghton Mombo	-Chairman	-Appointed on 29 th May 2020
9.	Leonard Langat	-Director	-Appointed on 25 th October 2018.
10.	Silvanus Mwakoma	-Director	-Appointed on 25 th October 2018.
11.	Ruth Lelewu	-Director	-Appointed on 29 th May 2020
12.	John Bwire	-Director	-Appointed on 29 th May 2020
13.	David N.Ndurya	-Managing Director	-Appointed on 1 st January 2020

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KEY ENTITY INFORMATION (continued)

Corporate Secretary

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

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

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KEY ENTITY INFORMATION (continued)

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.
3. Equity Bank Kenya,
Opposite Voi Bus park.
P.O. Box 325-80300,
Voi Town, Kenya.
4. Post Bank Kenya,
Opposite Maghamba plaza,
Next to K.P.L.C.
Voi Town branch.

Independent Auditors

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

Principal Legal Advisers







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

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THE BOARD OF DIRECTORS

PHOTO	NAME/POSITION	QUALIFICATION
	Mr. Constantine A. Malai Chairman Board of Directors From 15-3-2018. Left in 8 th November 2019.	Bachelor's Degree Business Administration
	Mr. Mohamed Abdirahman Ali Chairman from October 2019 to 12 th May 2020.	Bachelor of commerce (Accounting option) C.P.A (K)
	Mr Houghton Mombo Chairman Board of Directors From 29 th May 2020 to date.	Executive MBA. Bachelor of Technology (Electrical & Electronics) Telecommunications.
	Dr. Jimmy Kihara Hussein Chair Human resource Committee from 15-3-2018 to date October 2018 Chair Finance and Technical committee from October 2018 to May 2020.	Doctor of Philosophy (Parasitology).
	Mr. Elistone Mwangtungu Mwanyuma - Member from 15-3-2018 to date.	Special Groups representative of People living with disabilities.
	Mr. Peter Mwang'ombe Mbogho Member From 15-3-2018 , Chair Human resource committee from October 2018 and left on 10 th June 2020	Business Man

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	<p>Mr. Leonard Langat Member from 25th October 2018.</p>	<p>County Chief Officer Finance and Planning Taita Taveta County Government. Master of Business Administration.</p>
	<p>Mrs. Ruth Lelewu Member from 29th May 2020</p>	<p>Bachelor of Commerce (Marketing Option).</p>
	<p>Mr. John Bwire Member from 29th May 2020</p>	<p>Post graduate diploma advocates training program (Kenya school of law) Bachelor of Law degree (LLB)</p>
	<p>Mr. Silvanus Mwakoma Member from 29th October 2020.</p>	<p>County Chief Officer Water & Sanitation Taita Taveta County Government.</p>
	<p>Ms. Agnes Mwasi – Member From 15-3-2018 to date.</p>	<p>Business Lady</p>

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	Mr. Benson Mwangoi Ag. Managing Director from 1 st August 2018 to 31 st December 2019	Higher National Diploma Water Engineer.
	Engineer David N. Ndurya Ag. Managing Director from 1 st January 2020 to date	BSc. Civil Engineering Masters in project management PHD ongoing
	Mr. Justus Munyithya Company Secretary	Kioko Munyithya Ngugi & Co. Advocates, Advocate/CPS (K), LLM, LLB. I.C.P.S.K membership number – P/CPSB/1434

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MANAGEMENT TEAM

Photo	Name	Qualification
	Mr. Benson Mwangoi Ag. Managing Director from 1 st August 2018 to date.	Higher National Diploma Water Engineer.
	Engineer David Ndurya Ag. Managing Director from 1 st January 2020 to date.	BSc. Civil Engineering Masters in project management PHD on-going.
	Mr. Justus Munyithya Company Secretary.	Kioko Munyithya Ngugi & Co. Advocates, Advocate/CPS (K), LL.M., LLB. I.C.P.S.K membership number – P/CPSB/1434
	Engineer Patrick Mwangoe Wadu. Technical Services Manager.	BSc. Water Engineering.

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	<p>Odlinah Mwakina Ponga Ag. Commercial Manager November 2018 to date.</p>	<p>Diploma in Water Engineering</p>
	<p>Richard W. Kibengo Business Development Manager (Head Commercial department) From February 2020.</p>	<p>MBA Marketing Bachelor of commerce (Marketing).</p>
	<p>Laban M. Kinyai Finance Manager.</p>	<p>MBA Finance Bachelor of Commerce (Accounting) CPA (K). ICPAK M/no. 18867</p>
	<p>Enike Ngoo Ag. Procurement Officer</p>	<p>Bachelor's degree in Purchasing and supplies management</p>

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	Henry Mutiso Mutinda Ag. Internal Audit Manager 1 st September 2018 to date.	C.P.A 3
	Emily Mkangoma Katambo Human Resource Officer	Diploma Human Resource Management
	Gerald Mwandagha Michigan I.C.T Officer	Diploma in Information Technology(I.T)

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CHAIRMAN'S STATEMENT

It is now fourteen years since the Company started operating and managing of 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 increase in basic commodity prices.

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

ACTIVITIES/ACHIEVEMENTS DURING THE PERIOD

Assets

Tavevo has through the Water and Sanitation development Project (W.S.D.P) received numerous assets to boost efficiency and improve delivery of service to our customer. We have received 10. No motorcycles, butt-fusion machine plus generator, assorted I.C.T equipment. These will go a long way in ensuring high efficiency in company operations. W.S.D.P is the major project currently being undertaken by The County Government of Taita Taveta through Tavevo water and sewerage co. Ltd.

Below are objectives of the project during its duration;

- i. To Purchase of Water supply Repair Kits.
- ii. To Purchase of operations and maintenance 3NO. Double cabin vehicles and 10 no. motorcycles.
- iii. To Purchase 10,540 no. meters Consumer meters plus fittings.
- iv. To Purchase 2 no. Exhauster trucks and 2 no. Water Bowsers for Sanitation and water tracking services respectively.
- v. To engage a consultant on detailed design review, ESIA, RAP supervision of construction works and technical support for medium term works.
- vi. To upgrade water distribution systems in Voi, Wundanyi, Mwatate and Taveta respectively.
- vii. To construct sludge handling facilities in Voi and Taveta town.
- viii. To construction 8 No. ablution blocks at Voi (2No), at Maungu (1No.), at Wundanyi (2No), at Mwatate (1No) and at Taveta (2No).

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

Water Coverage

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

However, the rural areas have been left behind with water coverage at 18%. Tavevo is working hand in hand with its main shareholder which is The County Government of Taita Taveta in extending

Tavevo Water and Sewerage co. Ltd

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services to the rural areas of Taita Taveta by running the projects successfully completed by the Government.

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

Non-Revenue Water

During the reporting period our Non-Revenue Water which is the difference between the water produced for distribution and the water billed was 38% against a national average of 54.6%. This is a record improvement compared to the previous financial year at 44%.

However, 38% 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 76%. 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. This company 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.
2. High Operational Costs due to old and dilapidated infrastructure.
3. Low water Supply Coverage.
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

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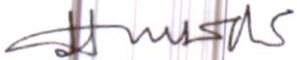
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the right "to clean and safe water in adequate quantities". To this end Tavevo has successfully been to reach to more residents in both urban and peri-urban areas of Taita Taveta County. The Company targets to increase the area of water coverage especially in the rural, to improve sewerage coverage, drinking water quality, improve hours of supply, reduction of N.R.W, metering ratio, staff productivity and collection efficiency.

We, the management are committed to ensure that the strategic objectives of the Company are met.

Date... 31/3/21



CHAIRMAN:

TAVEVO WATER AND SEWERAGE COMPANY LTD BOARD OF DIRECTORS

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REPORT OF THE MANAGING DIRECTOR

It is now fourteen 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 increase in basic commodity prices.

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

ACTIVITIES/ACHIEVEMENTS DURING THE PERIOD

Assets

Tavevo has through the Water and Sanitation development Project received numerous assets to boost efficiency and improve delivery of service to our customer. We have received 10. No motorcycles, butt-fusion machine plus generator, assorted I.C.T equipment. These will go a long way in ensuring high efficiency in company operations

Water Coverage

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

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 other Financiers.

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 38% against a national average of 54.6%. This is a record improvement compared to the previous financial year at 44%.

However, 38% 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 76%. Metering is a critical tool for managing Non Revenue water and is also essential in managing per capita water consumption. Still under the W.S.D.P we have ordered 10,540 no. meters which will cover the deficit and still replace the old dilapidated meters which will in turn increase efficiency by accurate billing of consumed water.

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Drinking Water Quality

The quality of drinking water has a direct impact on the health of our consumers. This company 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 has now an approved staff establishment which will assist in filling the human resource gaps in our Company bolstering our efficiency and revenues.

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:

7. High cost of electricity due to pumping cost and topography of Taita Taveta currently averaging up to Kshs. 5,000,000 per month.
8. High Operational Costs due to old and dilapidated infrastructure.
9. Low water Supply Coverage currently at 88% in the urban areas.
10. High Number of Inactive customer connections.
11. High Non Revenue Water which is at 38% for Tavevo compared to the sector benchmark of 25%.
12. High cost of Bulk water from the Mzima Water bulk supply purchased at Kshs. 20 per cubic meter.

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 to reach to 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 sewerage coverage, drinking water quality, improve hours of supply, reduction of N.R.W, metering ratio, staff productivity and collection efficiency.

We, the management are committed to ensure that the strategic objectives of the Company are met.

Date.....03/03/2021.....

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MANAGING DIRECTOR

TAVEVO WATER AND SEWERAGE COMPANY LTD

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REVIEW OF TAVEVO WATER AND SEWERAGE CO. LTD PERFORMANCE FOR FINANCIAL YEAR 2019/2020

Tavevo water and sewerage Co. Ltd had strategic objectives as listed below together with the outcomes for each;

Strategic Pillar	Objective	Key performance indicators	Activities	Achievements
Pillar 1: Revenues	<ul style="list-style-type: none"> i. Increased Water sold Volumes. ii. Meter Rent iii. Miscellaneous Income 	<ul style="list-style-type: none"> i. Water sale target for the period is Kshs.323,380,978. ii. Meter rent target for the period Kshs.17,426,592. iii. Miscellaneous income was budgeted at Kshs. 19,673,968. 	<ul style="list-style-type: none"> i. Extension of services to rural areas to enhance revenue. ii. New connections in urban areas to capture new clients. iii. Purchase of new meters to replace old/worn out meters to enhance efficiency in meter reading. 	<ul style="list-style-type: none"> i. Water sale was pegged at Kshs. 234,783,120 being 73% of the target. ii. Meter rent performance is Kshs.10,635,580 which is 61% of budget. iii. Miscellaneous performance is Kshs. 13,632,846 which is 69% of the budget.
Pillar 2: Donor funding	<ul style="list-style-type: none"> i. W.S.D.P 	<ul style="list-style-type: none"> i. Activities earmarked for the year were to amount to Kshs. 400,000,000 however due to delayed project take-off Country wide. 	<p>Procurement of goods;</p> <ul style="list-style-type: none"> i. ICT equipment ii. 2 No. Water Bowsers iii. 2no. Exhausters. iv. Meters and stop corks 10,540 variety of sizes. v. 10 No. Motorcycles to enhance operations. vi. Butt-fusion Machine and generators. 	<ul style="list-style-type: none"> i. ICT equipment was 100% delivered. ii. Water Bowsers not yet delivered. iii. Exhausters not delivered. iv. Meters and stopcocks 14% delivered. v. Motor cycles 100% delivered. vi. Butt-fusion delivered. <p>The undelivered goods delayed mainly due to the Covid-19 pandemic. The gods were being imported from the</p>

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				worst hit countries (Italy, France, and China).
	<p>i. Water Sector Trust Fund-Maktau Water project.</p> <p>ii. Water Sector Trust fund-UBSUP</p> <p>iii. W.S.T.F-C.L.T.S (Community led Total Sanitation)</p> <p>iv. W.S.T.F-Maktau Public sanitation facility</p>	<p>i. Commencement of initial stages of Public participation and designs.</p> <p>ii. The budget for UBSUP was Kshs. 17,214,223.</p> <p>iii. C.L.T.S did not commence during the period under review.</p> <p>iv. Maktau Public sanitation facility did not commence in the period under review.</p>	<p>i. Initial stages of the project were undertaken i.e. Public participation and designs.</p> <p>ii. Initial amount received for the project is kshs.3, 896,725.</p>	<p>i. Designs were sent to donor and approved for funding.</p> <p>ii. This amount accounted for 23% of the entire project mainly for payment of subsidies to residents.</p>

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CORPORATE GOVERNANCE STATEMENT

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

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

Board of Directors appointment process

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

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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 is 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.

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.

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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.

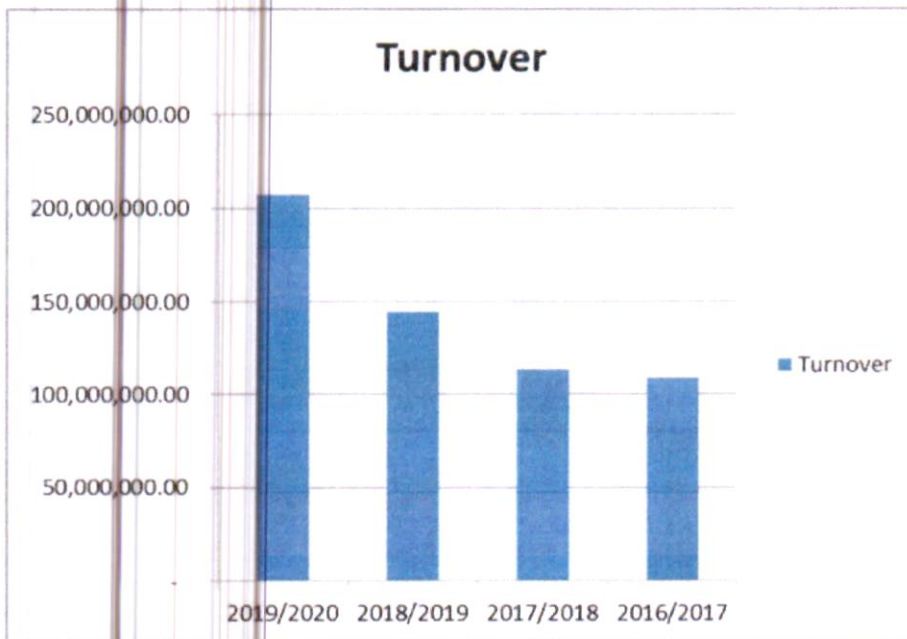
MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

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

i. Annual Turnover

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



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 co. Ltd
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For the year ended June 30, 2020



Key Projects during the period

Project	Status
i. Water and Sanitation Development Project (W.S.D.P).	i. The projects first disbursement was received during the year and goods delivered ranging from I.C.T equipment, 10. No. motorcycles, Butt fusion-machine with generator and stop-corks. All these were received during the year and more.
ii. Water Sector Trust Fund- Maktau Water project.	i. Initial stages of the project for survey and designs were undertaken during the period under review.
iii. Water Sector Trust Fund-Up scaling Basic sanitation for urban poor.	i. The project is on initial stages during the period but is set to pay subsidies to clients for renovation or construction of pit latrines in Mwatate area and construction of a decentralised treatment facility.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/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 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 has a zero tolerance to corruption policy and ensure all staff adhere 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.

Tavevo Water and Sewerage co. ltd
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For the year ended June 30, 2020

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Company's affairs.

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.

Results

The results of the Company for the year ended June 30, 2020 are set out on page 1-8. Below is a summary of the profit made during the year.

Particulars	Amount (Kshs)
Revenues	245,418,700
Cost of Sales	(112,898,919)
Grants	61,007,561
Other Income	13,632,846
Other Expenses	200,608,300
Profit before Taxation	6,551,888

Important to note is that Tavevo Water and Sewerage Company Limited received grant totalling to Kshs. 61,007,561 thereby improving its overall financial performance in the year under review.

Dividends

The Directors did not recommend payment of dividends in the year ended June 30, 2020.

Directors

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

Auditors

The Auditor General is responsible for the statutory audit of the **Company** in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board
 KIRIGAH JUMA MWAJAZA
 ADVOCATE
 P.O. Box 11506 - 00100
 Kioko Muniithya Ngugi & Co. Advocates,
 Advocate/CPS (K), LL.M, LL.B.
 I.C.P.S.K membership number – P/CPSB/1434

Date... 23/03/2021

Tavevo Water and Sewerage co. ltd

Annual Reports and Financial Statements

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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.

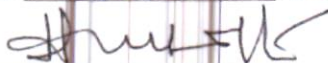
The Directors are responsible for the preparation and presentation of Tavevo Water and Sewerage Company Limited financial statements, which give a true and fair view of the state of affairs of Tavevo Water and Sewerage Company Limited for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of Tavevo Water and Sewerage Company Limited ; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of Tavevo Water and Sewerage Company Limited ; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for Tavevo Water and Sewerage Company Limited financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act section 14. The Directors are of the opinion that Tavevo Water and Sewerage Company Limited financial statements give a true and fair view of the state of Tavevo Water and Sewerage Company Limited transactions during the financial year ended June 30, 2020, and of Tavevo Water and Sewerage Company Limited financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Tavevo Water and Sewerage Company Limited, which have been relied upon in the preparation of Tavevo Water and Sewerage Company Limited financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Tavevo Water and Sewerage Company Limited financial statements were approved by the Board on 2/3/2021 2021 and signed on its behalf by:



Chairman; Board of Directors



Managing Director

Tavevo Water and Sewerage co. ltd

Annual Reports and Financial Statements

For the year ended June 30, 2020

**REPORT OF THE INDEPENDENT AUDITORS ON TAVEVO WATER AND SEWERAGE
CO. LTD**

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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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, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Tavevo Water and Sewerage Company Limited set out on pages 1 to 27, which comprise the statement of financial position as at 30 June, 2020, 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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Tavevo Water and Sewerage Company Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Unsupported Bank and Cash Balances

The statement of financial position and as disclosed in Note 11 to the financial statements reflects bank and cash balances of Kshs.71,241,593 as at 30 June, 2020. Included in these balances is Posta Pay balance of Kshs.2,659,688 which was not supported with details of the account information, authority to operate the account, contract agreement for the service provision, reconciliations statements, bank statements and certificate of balance.

In the circumstances, the accuracy and completeness of bank and cash balances of Kshs.71,241,593 as at 30 June, 2020 could not be confirmed.

2.0 Long Outstanding Trade and Other Receivables

The statement of financial position as at 30 June, 2020 reflects trade and other receivables balance of Kshs.294,820,794. Included in this balance are debtors amounting to Kshs.41,096,214 which have been outstanding for more than two years. Further,

Report of the Auditor-General on Tavevo Water and Sewerage Company Limited for the year ended 30 June, 2020

analysis of debtors' ageing revealed that an amount of Kshs.229,501,004 which represents 78% of the total trade receivables had been outstanding for more than 180 days (or 6 months). However, the provision for bad and doubtful debts was not made in respect of these debts. Management has not demonstrated efforts or strategies put in place to collect these outstanding debtors.

In the circumstances, it has not been possible to ascertain the accuracy, fair statement and recoverability of the trade and other receivables balance of Kshs.294,820,794.

3.0 Inaccuracies in Customer Deposits

The statement of financial position as at 30 June, 2020 reflects customer deposits balance of Kshs.22,661,520, out of which Kshs.8,359,093 only was confirmed in the deposit account, thus leaving a balance of Kshs.14,302,427 unaccounted for.

Consequently, the accuracy and completeness of the customer deposits balance of Kshs.22,661,520 as at 30 June, 2020 could not be confirmed.

4.0 Inaccuracies in Trade and Other Payables - Coast Water Works Development Agency

The statement of financial position and as disclosed in Note 18 to the financial statements reflects trade and other payables balance of Kshs.441,681,866 as at 30 June, 2020. The balance includes Kshs.498,454,322 owed to Coast Water Works Development Agencies for supply of bulk water costing Kshs.359,676,583 and lease fees of Kshs.123,922,214. However, the financial statements of Coast Water Works Development Agencies reflect a balance of Kshs.577,184,279 as the sum receivable from the Company resulting in an unexplained and unreconciled variance of Kshs.78,729,957.

5.0 Inaccuracies in Trade and Other Payables - Payroll Liabilities

The statement of financial position and as disclosed in Note 18 to the financial statements reflects trade and other payables balance of Kshs.441,681,866 as at 30 June, 2020. Included in this balance are payroll liabilities of Kshs.11,596,277. The payroll liabilities include salary deduction arrears owed to National Water Conservation and Pipeline Corporation Staff Pension Scheme of Kshs.1,541,238 and Pay As You Earn (PAYE) deductions on board allowances of Kshs.947,627 which have been outstanding for over four years. Further, the respective interest and penalties due on late payment of PAYE have not been accrued in these financial statements.

Consequently, the accuracy and completeness of the payroll liabilities of Kshs.11,596,277 as at 30 June, 2020 could not be confirmed.

6.0 Erroneous Treatment of Grant as a Long-Term Loan

As previously reported, the statement of financial position reflects a long-term loan balance of Kshs.5,983,542 from Taita Taveta County Government as at 30 June, 2020. However, records from County Government indicates that this was an emergency grant given to the Company by Taita Taveta Emergency Fund to pay a water debt that had led to the disconnection of water supply in the whole County. The grant should have been recognised as income over the period necessary to match it with the related costs for which it was intended to compensate on a systematic basis in accordance with Paragraph

12 of the International Accounting Standard (IAS) 20 on Accounting for Government Grants and Disclosure of Government Assistance.

Consequently, the treatment of the grant is in non-compliance with the provisions of International Accounting Standard (IAS) 20 on Accounting for Government Grants and Disclosure of Government Assistance.

7.0 Unsupported Capital Reserve

The statement of financial position reflects fair value adjustment reserve balance of Kshs.97,214,636 as at 30 June, 2020. The reserves represent unsupported assets and liabilities transferred to the Company from the Ministry of Water and Irrigation and National Water Conservation and Pipeline Corporation. Management did not provide for audit documents and information regarding the handing over of assets and liabilities by National Water Conservation and Pipeline Corporation.

In the circumstances, the fair statement of the capital reserve balance of Kshs.97,214,636 as at 30 June, 2020 could not be confirmed.

8.0 Unsupported Prior Year Adjustment

The statement of changes in equity for the year ended 30 June, 2020 reflects prior year adjustments of Kshs.122,189. However, supporting journal voucher and explanatory note for the adjustment were not availed for audit review.

Consequently, the validity of the prior year adjustment of Kshs.122,189 for the year ended 30 June, 2020 could not be ascertained.

9.0 Failure to Disclose Material Uncertainty Related to Going Concern

The statement of financial position reflects current liabilities of Kshs.441,681,866 and current assets of Kshs.366,108,386, resulting in a negative working capital of Kshs.75,573,480 as at 30 June, 2020. Further, the accumulated deficit stood at Kshs.272,832,693 as at 30 June, 2020. This is an indication that the Company is insolvent and may not be able to meet its obligations as they fall due.

The financial statements have been prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the County Government, its creditors and bankers. However, this material uncertainty in relation to going concern and any mitigating measures put in place by the Company's directors to reverse the undesirable precarious financial position have not been disclosed in the notes to the financial statements.

The existence of the above material uncertainty may cast a significant doubt on the Company's ability to continue as a going concern.

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.872,706,374 and Kshs.320,059,107 respectively resulting to unrealized of Kshs.546,606,145 or 63% of the budget. Similarly, the Company incurred expenditure of Kshs.313,507,219 against an approved budget of Kshs.351,771,038 resulting to an under-expenditure of Kshs.38,263,819 or 11% of the budget. The under collection of revenue and low utilization of funds affected the planned activities and may have impacted negatively on service delivery to the public.

Other Information

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

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

In connection with the audit of the 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 the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that there is material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis of Conclusion

1.0 Non-Revenue Water

The Company produced 4,762,584 cubic meters of water out of which 2,945,007 cubic meters approximately 62% was billed to customers. The unbilled amount of 1,817,5770

cubic meters or 38% represented Non-Revenue Water which is more than the maximum allowable loss of 25% by the Water Services Regulatory Board (WASREB). The excess UFW of 13% resulted to abnormal loss of water sales of 619,136 cubic meters approximated at Kshs.34,052,476 when applying the rate of Kshs.55 per cubic meter.

The significant level of non-revenue water is an indication of inefficiency and lack of effectiveness in the use of public resources and, may negatively impact negatively on the Company's profitability and its long-term sustainability.

2.0 Anomalies in Appointment of Board Members

Review of appointment of members of the Board of Directors revealed that two (2) Board members did not have a Bachelor's Degree qualification required for appointment as a Board member. Also, one of the Board Members was not a gazetted member of the Board but continued to perform duties of a member of the Board.

This is in contravention of Mwongozo Code of Governance for State Corporations which requires the Board to provide strategic direction to the Company, exercise control and remain accountable to shareholders. In addition, the Code requires each Board member to have been formally appointed to the Board through a Gazette Notice and be issued with an appointment letter.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1.0 Lack of Approved Information Technology Security Policy

Review of the Company's Information Technology Systems revealed that it has in place Enterprise Resource Planning (ERP) to manage its operations. However, the Company did not have an approved IT policy for governance and management of its ICT resources. In addition, there is no ICT steering committee in place to assist in development of ICT policy framework to enable the company realize long term ICT strategic goals. Lack of an approved IT policy may result in unclear direction regarding maintenance of information security across the organization and safeguarding the Company's ICT assets. Further,

without a sound and approved framework, users do not have any rules and procedures to follow in order to minimize risk of errors, fraud and the loss of data confidentiality, integrity and availability.

2.0 Lack of Strategic Plan

As previously reported, records availed for audit review indicated that the Company's Strategic Plan expired in the financial year 2015/2016 and none had been prepared as at the time of the audit. This means that the Company's Annual Work Plan for the year under review lacked strategic direction which would effectively deliver the Company's core business objective of water supply to customers.

3.0 Lack of Approved Staff Establishment

Records provided for audit indicated that the Company staff establishment stood at one hundred and twenty-seven (127) staff as at 30 June, 2020, comprising twenty-one staff serving on permanent employment terms, one hundred (100) staff serving on contract and temporary engagement and six (6) staff on secondment as at 30 June, 2020. However, the Company did not have an approved staff establishment. It was therefore not possible to confirm whether the implemented level of establishment was optimal or not.

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 processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;
- (iii) The Company's statement of financial position and statement profit or loss and other comprehensive income are in agreement with books of account; and
- (iv) In my opinion the information given in the report of the directors on page **xxv**, is consistent with the financial statements.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and the Kenyan Companies Act, 2015, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, the Directors are 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 the Directors are aware of the intention to liquidate the Company or cease its 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 are responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 February, 2022

Tavevo Water and Sewerage co. Ltd
Annual Reports and Financial Statements
For the year ended June 30, 2020

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019-2020	Restated	2018-2019
		Kshs	2018-2019	Kshs
REVENUES				
Revenue	1	245,418,700	242,998,333	242,998,333
Cost of sales	2	(112,898,919)	(119,042,483)	(119,042,483)
Gross profit		132,519,781	123,955,850	123,955,850
Grants	3	61,007,561	136,220	-
Other Income	4	13,632,846	20,478,552	20,614,772
TOTAL REVENUES		207,160,188	144,570,622	144,570,622
OPERATING EXPENSES				
Administration Costs	5	200,608,300	159,355,007	142,958,547
TOTAL OPERATING EXPENSES		200,608,300	159,355,007	142,958,547
PROFIT/(LOSS) BEFORE TAXATION		6,551,888	(14,784,385)	1,612,075
INCOME TAX EXPENSE/(CREDIT)	6	1,965,566	-	483,623
PROFIT/(LOSS) AFTER TAXATION		4,586,322	(14,784,385)	1,128,452
OTHER COMPREHENSIVE INCOME				
Fair value through comprehensive income		-	-	-
Surplus or deficit on revaluation of PPE		-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,586,322	(14,784,385)	1,128,452

Tavevo Water and Sewerage co. Ltd

Annual Reports and Financial Statements

For the year ended June 30, 2020

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019-2020	Restated 2018-2019	2018-2019
		Kshs	Kshs	Kshs
ASSETS				
Non-Current Assets				
Property, plant and equipment	7	79,913,232	60,231,697	60,231,697
Intangible assets	8	1,305,448	890,557	890,557
Prepaid Operating lease rentals		-	-	16,396,460
Total Non-Current Assets		81,218,680	61,122,254	77,518,714
Current Assets				
Trade and other receivables	9	294,820,794	261,815,872	261,815,872
Short-term deposits	10	46,000	2,349,725	2,349,725
Bank and cash balances	11	71,241,593	16,826,730	16,826,730
Total Current Assets		366,108,386	280,992,327	280,992,327
Total Assets		447,327,066	342,114,581	358,511,041
EQUITY AND LIABILITIES				
Capital and Reserves				
Ordinary share capital	12	100,000	100,000	100,000
Fair value adjustment reserve	13	97,214,636	97,214,636	97,214,636
Retained earnings	14	(272,832,693)	(279,262,392)	(262,865,933)
Capital and Reserves		(175,518,057)	(181,947,756)	(165,551,297)
Non-Current Liabilities				
Long-term loan	15	5,983,542	5,983,542	5,983,542
Customer deposits	16	22,661,520	18,095,969	18,095,969
Service Gratuity	17	13,740,458	10,863,037	10,863,037
Coast Water Works Development Agency- Lease fees	18	138,777,739	123,922,214	-
Total Non-Current Liabilities		181,163,258	158,864,761	34,942,548
Current Liabilities				
Trade and other payables	19	441,681,866	365,197,576	489,119,790
Total Current Liabilities		441,681,866	365,197,576	489,119,790
TOTAL EQUITY AND LIABILITIES		447,327,066	342,114,581	358,511,041

The financial statements were approved by Board on... 3.1.31... 2021 and signed on its behalf by:

Finance Manager Managing Director... Chairman of the Board...
 Name: CPA. LABAN KIRUKU Name: RICHARD NGWAFU Name: Houghton Moko

ICPAK MNO... 15867

Tavevo Water and Sewerage co. ltd

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Ordinary share capital	Fair value adjustment reserve	Retained earnings	Total
At July 1, 2018	100,000	97,214,636	(264,674,121)	(167,359,485)
Total comprehensive income	-	-	(14,784,385)	(14,784,385)
Dividends paid – 2018	-	-	-	-
Interim dividends paid – 2019	-	-	-	-
Proposed final dividends	-	-	-	-
Prior Year adjustments	-	-	196,114	196,114
At June 30, 2019	100,000	97,214,636	(279,262,392)	(181,947,756)
At July 1, 2019	100,000	97,214,636	(279,262,392)	(181,947,756)
Issue of new share capital	-	-	-	-
Total comprehensive income	-	-	6,551,888	6,551,888
Dividends paid – 2019	-	-	-	-
Interim dividends paid – 2020	-	-	-	-
Proposed final dividends	-	-	-	-
Prior Year adjustments	-	-	(122,189)	(122,189)
At June 30, 2020	100,000	97,214,636	(272,832,693)	(175,518,057)

Tavevo Water and Sewerage co. Ltd

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019-2020	Restated 2018-2019	2018-2019
		Kshs	Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash generated from/(used in) operations	20	17,001,143	(7,113,444)	9,283,016
Increase/decrease in receivables		(33,004,922)	(23,843,514)	(23,843,514)
Increase/decrease in prepayments		2,303,725	4,296,282	4,296,282
Increase/decrease in customer deposit		4,565,551	4,764,420	4,764,420
Increase/decrease in Lease fee payable		138,777,739	16,396,460	-
Increase/decrease in payables		(47,437,925)	22,165,164	38,561,624
Increase/decrease in gratuity payables		2,877,421	1,316,172	1,316,172
Prior year adjustments		(122,189)	196,114	196,114
Net cash generated from/(used in) operating activities		84,960,544	18,177,653	34,574,113
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(29,952,979)	(5,936,063)	(5,936,063)
Proceeds from disposal of property, plant and equipment		-	-	-
Purchase of intangible assets		(592,702)	(411,858)	(411,858)
Prepaid operating lease rentals		-	-	(16,396,460)
Net cash generated from/(used in) investing activities		(30,545,681)	(6,347,921)	(22,744,381)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net cash generated from/(used in) financing activities		-	-	-
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		54,414,863	11,829,732	11,829,732
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		16,826,730	4,996,998	4,996,998
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		71,241,593	16,826,730	16,826,730

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

	Original Budget 2019/2020	Adjustments 2019/2020	Final Budget 2019/2020	Actual on comparable basis 2019/2020	Performance Difference 2019/2020
Revenues	Kshs	Kshs	Kshs	Kshs	Kshs
Water sale	340,135,222	(16,754,244)	323,380,978	234,783,120	88,597,858
Meter rent	22,598,352	(5,171,760)	17,426,592	10,635,580	6,791,012
	362,733,574	(21,926,004)	340,807,570	245,418,700	95,388,870
Other income					
Bowser	7,590,014	-	7,590,014	6,449,738	1,140,276
Hire of collapsible tank	-	-	-	-	-
Illegal Connections	2,176,511	(670,200)	1,506,311	701,510	804,801
Meter Replacement	207,086	-	207,086	142,500	64,586
Meter testing	-	-	-	13,500	(13,500)
New Connection	6,992,500	(700,000)	6,292,500	4,079,198	2,213,302
Reconnection fees	3,837,857	-	3,837,857	2,205,600	1,632,257
Rent	240,000	-	240,000	40,000	200,000
Termination fee	-	200	200	800	(600)
Total Other income	21,043,968	(1,370,000)	19,673,968	13,632,846	6,041,122
Grants					
WSDP (I.D.A)	-	400,000,000	400,000,000	45,015,440	354,984,560
WSTF-Maktau water project	-	88,494,440	88,494,440	12,095,396	76,399,044
WSTF-UBSUP Mwatate	-	17,214,223	17,214,223	3,896,725	13,317,498
W.S.T.F C.L.T.S-Msharinyi.	-	798,340	798,340	-	798,340
W.S.T.F Maktau Bus Park- Public Sanitation Facility.	-	5,717,833	5,717,833	-	5,717,833
Total Conditional grants	-	512,224,836	512,224,836	61,007,561	451,217,275
Total Income	383,777,542	488,928,832	872,706,374	320,059,107	546,606,145

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Cost of sales					
Bulk water fees	75,365,770	-	75,365,770	65,767,694	9,598,076
Electricity pumping	53,134,484	-	53,134,484	44,038,989	9,095,495
Water treatment	650,000	768,100	1,418,100	1,236,436	181,664
Abstraction fees	650,000	1,205,800	1,855,800	1,855,800	-
Total	129,800,254	1,973,900	131,774,154	112,898,919	18,875,235
Gross profit	253,977,288	486,954,932	740,932,220	207,160,188	527,730,910
Administration Costs					
Awards to retired staff	10,000	-	10,000	10,000	-
Airtime Allowance	1,870,800	-	1,870,800	1,754,100	116,700
Electricity Administration	2,500,000	-	2,500,000	2,147,593	352,407
Postal services	72,411	-	72,411	53,335	19,076
Advertising and Awareness	1,277,649	-	1,277,649	1,232,443	45,206
Insurance non-motor	965,110	-	965,110	1,283,885	(318,775)
Publishing & printing	40,010	93,696	133,706	49,765	83,941
Newspapers	60,540	-	60,540	39,120	21,420
Refurbishment & maintenance of assets	2,000,000	(1,900,000)	100,000	6,200	93,800
Office & general expenses	2,479,012	(300,000)	2,179,012	2,293,482	(114,470)
SMS Billing & maintenance	2,400,000	1,790,640	4,190,640	2,845,327	1,345,313
ICT equipment & software maintenance	2,130,000	-	2,130,000	1,226,990	903,010
Internet & website expenses	1,716,000	-	1,716,000	1,712,090	3,910
Entertainment	435,660	213,823	649,483	702,564	(53,081)
Commercial Monitoring & evaluation	596,000	-	596,000	76,827	519,173
Corporate social responsibility	700,001	-	700,001	59,022	640,979
Covid 19 mitigation expenses	-	1,289,500	1,289,500	1,019,440	270,060
Customer care & public relation	399,100	-	399,100	346,822	52,278

Tavevo Water and Sewerage co. ltd

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Managing Directors office	240,000	-	240,000	26,128	213,872
Burial expenses	-	-	-	225,900	(225,900)
Rent & rates	480,000	25,714	505,714	394,000	111,714
Membership fees	233,400	-	233,400	202,680	30,720
Contracted Guards	4,374,000	1,050,000	5,424,000	4,843,200	580,800
Depreciation for Tangible assets	2,771,483	-	2,771,483	10,271,444	(7,499,961)
Depreciation for Tangible assets	2,771,483	-	2,771,483	9,546,944	(6,775,461)
Depreciation for Intangible assets	-	-	-	177,811	(177,811)
End year gift vouchers	-	-	-	-	-
Staff Uniforms	400,000	820,160	1,220,160	1,243,961	(23,801)
Wasco games	535,400	-	535,400	389,326	146,074
World Water day	250,001	-	250,001	-	250,001
Electro-mechanical	3,500,900	(140,000)	3,360,900	1,725,970	1,634,930
Maintenance of water supplies	16,319,285	5,000,809	21,320,094	15,562,837	5,757,257
Sanitation Services	-	700,000	700,000	-	-
Legal fees	1,560,978	1,731,722	3,292,700	3,425,045	(132,345)
Provision of Audit fees	464,000	-	464,000	464,000	-
KUCFAW-former staff	2,020,107	-	2,020,107	-	2,020,107
Chairman's Honoraria	420,000	-	420,000	271,473	148,527
Board of Directors Airtime	420,000	-	420,000	343,000	77,000
Other Directors allowances	4,277,286	1,408,215	5,685,501	4,461,601	1,223,900
Bank Commission & charges	703,817	1,248,989	1,952,806	2,018,565	(65,759)
Lease fees CWWDA	17,378,760	-	17,378,760	14,855,526	2,523,234
Wasreb Levy	4,412,190	(2,000,000)	2,412,190	10,517,931	(8,105,741)
KRA Bills	13,200,000	-	13,200,000	9,036,545	4,163,455
Legalization of water resources & NEMA	-	1,000,000	1,000,000	-	1,000,000
Tariff Renewal	-	2,000,000	2,000,000	-	2,000,000
Transportation, travelling and subsistence	10,573,763	(1,500,000)	9,073,763	7,984,588	1,089,175

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Hire of transport plant & equipment	50,000	100,000	150,000	109,650	40,350
Fuel oils & lubricants	7,797,666	-	7,797,666	6,600,132	1,197,534
Maintenance of motor vehicles	4,513,392	1,040,000	5,553,392	5,050,943	502,449
Insurance costs	1,140,224	(400,000)	740,224	1,679,106	(938,882)
Transport claims	120,000	-	120,000	-	120,000
Salary	57,135,469	-	57,135,469	55,921,004	1,214,465
Leave allowance	5,058,401	-	5,058,401	3,451,678	1,606,723
Gratuity/Pension	7,507,584	-	7,507,584	6,090,931	1,416,653
Pension arrears	6,142,857	-	6,142,857	1,979,994	4,162,863
Casual wages	4,487,904	5,214,216	9,702,120	7,553,917	2,148,203
Training expenses	3,040,000	(1,900,000)	1,140,000	790,975	349,025
Staff medical	8,000,000	(6,000,000)	2,000,000	-	2,000,000
Recruitment cost	-	228,240	228,240	359,740	(131,500)
W.S.T.F UBSUP Expenses	-	-	-	632,102	(632,102)
W.S.D.P Expenses	-	-	-	5,087,592	(5,087,592)
Total	209,181,160		219,996,884	200,608,300	18,688,584
Total Administration costs	209,181,160	-	219,996,884	200,608,300	-
Surplus / (deficit)	44,796,128	486,954,932	520,935,336	6,551,888	527,730,910

Notes/Key

- i. W.S.D.P-Water and Sanitation development Project
- ii. W.S.T.F- Water Sector Trust Fund
- iii. U.B.S.U.P-Up scaling basic sanitation for Urban Poor
- iv. C.L.T.S- Community Led Total Sanitation

NOTES TO THE FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Revenue recognition

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

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

2. Property, plant and equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Depreciation and impairment of property, plant and equipment

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

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

5. 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.

6. Amortisation and impairment of intangible assets

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

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. 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.

2. 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.

3. 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.

4. 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.

5. Comparative figures

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

6. 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, 2020.

7. Fair value adjustment reserve

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

Tavevo Water and Sewerage co. ltd

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. REVENUE

	2019-2020	Restated 2018-2019	2018-2020
	Kshs	Kshs	Kshs
Water sale	234,783,120	234,073,475	234,073,475
Meter rent	10,635,580	8,924,858	8,924,858
Less: Value added tax on gross sales	-	-	-
Total	245,418,700	242,998,333	242,998,333

2. COST OF SALES

	2019-2020	Restated 2018-2019	2018-2020
	Kshs	Kshs	Kshs
Bulk water fees	65,767,694	68,860,266	68,860,266
Electricity pumping	44,038,989	47,779,453	47,779,453
water treatment	1,236,436	546,964	546,964
Abstraction fees	1,855,800	1,855,800	1,855,800
Total	112,898,919	119,042,483	119,042,483

3. GRANTS

	2019-2020	Restated 2018-2019	2018-2020
	Kshs	Kshs	Kshs
Water Sanitation Development Project (I.D.A) Funding Through County Government	45,015,440	-	-
Water Sector Trust Fund UBSUP Mwatate	3,896,725	-	-
Water Sector Trust Fund Nyangoro Maktau Water project	12,095,396	-	-
SNV Netherlands	-	136,220	-
Total	61,007,561	136,220	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. OTHER INCOME

Description	2019-2020	Restated 2018-2019	2018-2020
	Kshs	Kshs	Kshs
Bowser	6,449,738	10,347,047	10,347,047
Hire of collapsible tank	-	-	-
Illegal Connections	701,510	3,188,430	3,188,430
Meter Replacement	142,500	299,500	299,500
Meter testing	13,500	-	-
New Connection	4,079,198	3,700,575	3,700,575
Reconnection fees	2,205,600	2,853,000	2,853,000
Rent	40,000	90,000	90,000
Termination fee	800	-	-
SNV Netherlands	-	-	136,220
Total	13,632,846	20,478,552	20,614,772

Other income comprises, connection fees, reconnection fees, illegal connection penalty, Account succession, bowser income, collapsible tank hire, meter testing fee & account termination fees. In the FY 2018/2019 other income from SNV Netherlands is restated to Grants note 3.

5. (a) ADMINISTRATION COSTS

Description	2019-2020	Restated 2018-2019	2018-2020
	Kshs	Kshs	Kshs
Awards to retired staff	10,000	30,000	30,000
Airtime Allowance	1,754,100	1,748,100	1,748,100
Electricity	2,147,593	41,033	41,033
Postal services	53,335	61,380	61,380
Advertising and Awareness	1,232,443	691,359	691,359
Insurance non-motor	1,283,885	892,527	892,527
Publishing & printing	49,765	44,410	44,410
Newspapers	39,120	51,720	51,720
Refurbishment & maintenance of assets	6,200	35,700	35,700
Office & general	2,293,482	5,630,772	5,630,772
SMS Billing & maintenance	2,845,327	-	-
ICT equipment & software maintenance	1,226,990	-	-

Tavevo Water and Sewerage co. Ltd

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Internet & website expenses	1,712,090	-	-
Entertainment & Office meals	702,564	456,005	456,005
Commercial Monitoring & evaluation	76,827	-	-
Corporate social responsibility	59,022	-	-
Covid 19 mitigation measures	1,019,440		
Customer care & public relation	346,822	-	-
Managing Directors office	26,128	-	-
Burial expenses	225,900	-	-
Rent & rates	394,000	432,000	432,000
Membership fees	202,680	326,584	326,584
Contracted Guards	4,843,200	4,162,500	4,162,500
Depreciation for Tangible assets	10,271,444	6,245,868	6,245,868
Depreciation for Intangible assets	177,811	1,425,073	1,425,073
Staff Uniforms	1,243,961	-	-
Wasco games	389,326	427,100	427,100
World Water day	-	3,235,038	3,235,038
Electro-mechanical	1,725,970	2,133,191	2,133,191
Maintenance of water supplies	15,562,837	12,028,756	12,028,756
Sanitation Services	-	-	-
Legal fees	3,425,045	2,081,300	2,081,300
Provision of Audit fees	464,000	464,000	464,000
Salary	-	-	53,521,206
Leave allowance	-	-	4,736,226
Gratuity/Pension	-	-	3,263,530
Pension arrears	-	-	1,227,103
Casual wages	-	-	3,730,317
Training expenses	-	-	944,068
Staff medical	-	-	796,300
Recruitment cost	-	-	113,000
Staff Cost (note 5.B)	76,148,239	68,331,750	-
Chairman's Honoraria	-	-	420,000
Board of Directors Airtime	-	-	469,000
Other Directors allowances	-	-	4,077,971
Directors Emoluments (note5.C)	5,076,074	4,966,971	-
Bank Commission & charges	2,018,565	812,854	812,854
Lease fees CWWDA	14,855,526	16,396,460	-
Wasreb Levy	10,517,931	7,818,103	7,818,103
KRA Bills	9,036,545	-	-

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Transportation, travelling and subsistence	7,984,588	6,775,967	6,775,967
Hire of transport plant & equipment	109,650	43,150	43,150
Fuel oils & lubricants	6,600,132	6,605,305	6,605,305
Maintenance of motor vehicles	5,050,943	4,082,937	4,082,937
Insurance costs	1,679,106	877,094	877,094
Transfer to W.S.T.F UBSUP	632,102	-	-
Transfer W.S.D.P	5,087,592	-	-
Total	200,608,300	159,355,007	142,958,547

- i. Staff costs for the FY 2018/2019 have been restated to note 5. (B) And total figure posted to Administration costs.
- ii. Directors' emoluments for FY 2018/2019 have been restated to note 5. (C) and total emoluments posted to Administration expenses.
- iii. Lease fees to C.W.W.D.A for FY 2018/2019 have been restated to Administration expenses from prepaid operating lease rentals.

5. (B) STAFF COSTS

Description	2019-2020	Restated 2018-2019	2018-2020
	Kshs	Kshs	Kshs
Salary	55,921,004	53,521,206	-
Leave allowance	3,451,678	4,736,226	-
Gratuity/Pension	6,090,931	3,263,530	-
Pension arrears	1,979,994	1,227,103	-
Casual wages	7,553,917	3,730,317	-
Training expenses	790,975	944,068	-
Staff medical	-	796,300	-
Recruitment cost	359,740	113,000	-
Total	76,148,239	68,331,750	-
The average number of employees at the end of the year was:			
Permanent employees – Management	-	-	-
Permanent employees – Unionisable	14	14	-
Temporary and contracted employees	122	122	-
Total	136	136	-

Staff costs for FY 18/19 were previously stated in detail under administration costs note 5. (A) as opposed to note 5. (B) Above.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. (C) DIRECTORS EMOLUMENTS

Description	2019-2020	Restated 2018-2019	2018-2020
	Kshs	Kshs	Kshs
Chairman's Honoraria	271,473	420,000	-
Board of Directors Airtime	343,000	469,000	-
Other Directors allowances	4,461,601	4,077,971	-
Total	5,076,074	4,966,971	-

Directors emoluments for FY 18/19 were previously stated in detail under administration costs note 5. (A) as opposed to note 5. (C) Above.

6. INCOME TAX EXPENSE/(CREDIT)

(a) Current taxation

	2019-2020	Restated 2018-2019	2018-2019
	Kshs	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	1,965,566	-	483,623
Current tax: prior year under/(over) provision	-	-	-
Current year deferred tax charge	-	-	-
Prior year under-provision for deferred tax	-	-	-
Total	1,965,566	-	483,622

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	2019-2020	Restated 2018-2019	2018-2020
	Kshs	Kshs	Kshs
Profit before taxation	6,551,888	(14,784,385)	1,612,075
Tax at the applicable tax rate of 30%	1,965,566	-	483,623
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	4,586,322	(14,784,385)	1,128,452
	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. PROPERTY, PLANT AND EQUIPMENT

	Computers	Plant and Machinery	Meters	Furniture & Fittings	Office equipment	Buildings	Water distribution systems	WLP W.S.T.F Malindi Water project	Motors Cycles	Total Tangible assets
	30%	12.50%	12.50%	12.50%	12.50%	2.50%	2.50%	2.50%	25%	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost as at 1-07-2018	4,012,284	4,376,335	24,834,429	2,086,670	3,169,602	5,406,281	36,711,107	-	-	80,596,708
Additions 18/19	814,550	-	4,349,391	276,835	495,287	-	-	-	-	5,936,063
As at 1-07-2019	4,826,834	4,376,335	29,183,820	2,363,505	3,664,889	5,406,281	36,711,107	-	-	86,532,771
Additions 19/20	1,962,291	983,688	19,131,804	457,070	2,141,066	-	1,482,000	575,060	3,220,000	29,952,979
As at 30-06-2020	6,789,125	5,360,023	48,315,624	2,820,575	5,805,955	5,406,281	38,193,107	575,060	3,220,000	116,485,750
Depreciation										
As at 1-07-2019	3,725,640	2,440,760	13,638,766	1,903,808	1,925,233	399,146	2,267,721	-	-	26,301,074
Charge for the year 2020	588,687	670,003	6,039,453	352,572	725,744	135,157	954,828	-	805,000	10,271,444
As at 30-06-2020	4,314,327	3,110,763	19,678,219	2,256,380	2,650,977	534,303	3,222,549	-	805,000	36,572,518
NBV at 30.06.2020	2,474,798	2,249,260	28,637,405	564,195	3,154,978	4,871,978	34,970,558	575,060	2,415,000	79,913,232
NBV at 30.06.2019	1,101,194	1,935,575	15,545,054	459,697	1,739,656	5,007,135	34,443,386	-	-	60,231,697

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. INTANGIBLE ASSETS

	2019-2020	Restated 2018-2019	2018-2019
	Kshs	Kshs	Kshs
COST			
At July 1	4,750,244	4,338,386	4,338,386
Additions	592,702	411,858	411,858
Transfer to investment property	-	-	-
Disposals	-	-	-
At June 30	5,342,946	4,750,244	4,750,244
AMORTISATION			
At July 1	(3,859,687)	(2,434,614)	(2,434,614)
Charge for the year	(177,811)	(1,425,073)	(1,425,073)
Transfer to investment property (note 19)	-	-	-
Disposals	-	-	-
At June 30	(4,037,498)	(3,859,687)	(3,859,687)
NET BOOK VALUE			
At June 30	1,305,448	890,557	890,557

Intangible assets constitute Billing system, s.m.s software, payroll software and QuickBooks.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. (A) TRADE AND OTHER RECEIVABLES

	Restated		
	2019-2020	2018-2019	2018-2019
	Kshs	Kshs	Kshs
Trade receivables (note 9(b))	291,884,383	259,459,880	259,459,880
Deposits and prepayments	-	-	-
Staff receivables (note 9 (c))	702,755	252,029	252,029
Taita Taveta County receivable	1,783,674	1,783,674	1,783,674
BOD Receivable	240,728	240,728	240,728
Staff Imprest	158,642	47,100	47,100
Kenya Commercial Bank	18,150	-	-
Pan-African Insurance co. Ltd	32,461	32,461	32,461
Gross trade and other receivables	294,820,794	261,815,872	261,815,872
Provision for bad and doubtful receivable	-	-	-
Net trade and other receivables	294,820,794	261,815,872	261,815,872
	=====	=====	=====

9. (B) TRADE RECEIVABLES

	Restated		
	2019-2020	2018-2019	2018-2019
	Kshs	Kshs	Kshs
Gross trade receivables	291,884,383	259,459,880	-
Provision for doubtful receivables	-	-	-
	291,884,383	259,459,880	-
	=====	=====	=====
At June 30, the ageing analysis of the gross trade receivables was as follows:			
Less than 30 days	17,197,341	-	-
Between 30 and 60 days	14,255,742	-	-
Between 61 and 90 days	12,657,913	-	-
Between 91 and 120 days	10,966,718	-	-
Over 120 days	236,806,669	-	-
	291,884,383	259,459,880	-
	=====	=====	=====

Trade receivables FY 2018/2019 were not broken down under note 9. (B) As shown under FY 2019/2020.

Tavevo Water and Sewerage co. ltd
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
 9. (C) STAFF RECEIVABLES

	2019-2020	Restated 2018-2019	2018-2019
	Kshs	Kshs	Kshs
Gross staff loans and advances	702,755	252,029	-
Provision for impairment loss	-	-	-
	<u>702,755</u>	<u>252,029</u>	-
Less: Amounts due within one year	702,755	252,029	-
Amounts due after one year	<u>702,755</u>	<u>252,029</u>	-
	=====	=====	=====

Staff receivables for FY 2018/2019 were captured under note 9.A only and restated to 9. C as shown above.

10. SHORT-TERM DEPOSITS

	2019-2020	Restated 2018-2019	2018-2019
	Kshs	Kshs	Kshs
Deposit receivable - Rented property	46,000	1,222,297	1,222,297
Prepayments	-	<u>1,127,428</u>	<u>1,127,428</u>
	<u>46,000</u>	<u>2,349,725</u>	<u>2,349,725</u>

The above entails deposit paid during renting of property for use by Tavevo water and sewerage co. ltd.

11. A) BANK AND CASH BALANCES

	2019-2020	Restated 2018-2019	2018-2019
	Kshs	Kshs	Kshs
Cash at bank	71,151,038	16,774,675	16,774,675
Cash in hand	90,555	52,055	52,055
	<u>71,241,593</u>	<u>16,826,730</u>	<u>16,826,730</u>
	=====	=====	=====

The bulk of the cash at bank was held at Kenya Commercial Bank(K.C.B).K.C.B Voi branch are Tavevo water and sewerage company Limited's main bankers.

Tavevo Water and Sewerage co. Ltd

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

BANK AND CASH BALANCES

The make – up of bank balances is as follows:

	2019-2020	Restated	2018-2019
	Kshs	2018-2019	Kshs
Co-operative Bank - Customer deposit a/c 01136220957300	8,359,093	2,778,087	2,778,087
Equity bank a/c- 0790299925910	2,913,280	738,386	738,386
KCB-collection a/c-1108161227	8,107,233	7,174,068	7,174,068
KCB-expenditure a/c- 1108161332	1,295,999	2,919,457	2,919,457
M-PESA Paybill-913350	123,585	1,390,060	1,390,060
Posta Pay	2,659,688	1,562,302	1,562,302
Post Bank a/c-0744130013575	298,759	212,315	212,315
K.C.B. WSDP a/c 1242765387	32,721,548	-	-
K.C.B WSTF Maktau a/c 1261146727	11,516,906	-	-
KCB W.S.T.F UBSUP a/c 1268029874	3,154,947	-	-
	<u>71,151,038</u>	<u>16,774,675</u>	<u>16,774,675</u>

12. ORDINARY SHARE CAPITAL

	2019-2020	Restated	2018-2019
	Kshs	2018-2019	Kshs
Authorized:			
1,000 ordinary shares of Kshs.100/= par value each	100,000	100,000	100,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. FAIR VALUE ADJUSTMENT RESERVE

	2019-2020	Restated 2018-2019	2018-2019
	Kshs	Kshs	Kshs
Fair value adjustment reserve	97,214,636	97,214,636	97,214,636

14. RETAINED EARNINGS

	2019-2020	Restated 2018-2019	2018-2019
	Kshs	Kshs	Kshs
Retained earnings	(272,832,693)	(279,262,393)	(262,865,933)

The retained earnings represent amounts available for distribution to the Tavevo shareholders. Undistributed retained earnings are utilised to finance the Tavevo's business activities. Restated retained earnings have factored changes made to the expenses in the FY 2018/2019.

15. LONG-TERM LOAN

	2019-2020	Restated 2018-2019	2018-2019
	Kshs	Kshs	Kshs
Taita Taveta County Government	5,983,542	5,983,542	5,983,542

16. CUSTOMER DEPOSIT

	2019-2020	Restated 2018-2019	2018-2019
	Kshs	Kshs	Kshs
Refundable water connection deposits	22,661,520	18,095,969	18,095,969

17. SERVICE GRATUITY

	2019-2020	Restated 2018-2019	2018-2019
	Kshs	Kshs	Kshs
Service Gratuity	13,740,458	10,863,037	10,863,037

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	2019-2020	Restated	
	Kshs	2018-2019	2018-2019
	Kshs	Kshs	Kshs
Coast Water Works Development Agency-Lease fees	138,777,739	123,922,214	-

19. TRADE AND OTHER PAYABLES

	2019-2020	Restated	
	Kshs	2018-2019	2018-2019
	Kshs	Kshs	Kshs
Coast Water Works Development Agency Bulk water supply	359,676,582	326,558,889	326,558,889
Coast Water Works Development Agency Lease fees	-	-	123,922,214
Other payables	51,788,419	21,631,889	21,631,889
KENAO fees	4,860,000	4,840,000	4,840,000
KPLC	13,683,982	4,413,900	4,413,900
Payroll Liabilities	11,596,277	7,687,592	7,687,592
KCB payable	76,606	65,306	65,306
	441,681,866	365,197,576	489,119,790

Coast Water Works development agency Lease fees for FY 2018/2019 have been restated to note 18. Under long term liabilities From note 19 which are current liabilities.

Tavevo Water and Sewerage co. Ltd

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. NOTES TO THE STATEMENT OF CASH FLOWS

	2019-2020	Restated 2018-2019	2018-2019
	Kshs	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations			
Operating profit/(loss)	6,551,888	(14,784,385)	1,612,075
Depreciation	10,271,444	6,245,868	6,245,868
Amortization	177,811	1,425,073	1,425,073
(Gain)/loss on disposal of property, plant and equipment	-	-	-
Operating profit/(loss) before working capital changes	17,001,143	(7,113,444)	9,283,016
	=====	=====	=====
(b) Analysis of changes in loans			
Balance at beginning of the year	5,983,542	5,983,542	5,983,542
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	5,983,542	5,983,542	5,983,542
	=====	=====	=====
(c) Analysis of cash and cash equivalents			
Cash at bank	71,151,038	16,774,675	16,774,675
Cash in hand	90,555	52,055	52,055
Balance at end of the year	71,241,593	16,826,730	16,826,730
	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. RELATED PARTY DISCLOSURES

(a) County Government

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

Other related parties include:

- i) The Parent department of Water and Sanitation.
- ii) The Board of Directors.
- iii) The Management.

Transactions with related parties

	2019-2020	2018-2019
	Kshs	Kshs
a) Key management compensation		
Directors' emoluments	5,076,074	4,966,971
Compensation to the CEO	-	-
Compensation to key management	-	-
Total	5,076,074	4,966,971
	=====	=====

22. INCORPORATION

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

23. EVENTS AFTER THE REPORTING PERIOD

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

24. CURRENCY

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The management noted all the issues as observed by the Auditor general in the previous audit for the year 2018/2019.

Management has made efforts to clear the Queries from inaccuracies of the financial statements, UFW, asset tagging, customer deposits and have actually reached out to County Government on the long term loan and Coast water services board on capital reserves and payables reconciliation.



Managing Director

Date.....03/03/2021.....



Chairman; Board of Directors

Date.....3/3/2021.....

