

REPORT OF THE AUDITOR-GENERAL ON TAVEVO WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Tavevo Water and Sewerage Company Limited set out on pages 11 to 30, which comprise the statement of financial position as at 30 June 2018, and the statement of comprehensive income, statement of cash flows, statement of changes in equity and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Tavevo Water and Sewerage Company Limited as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and do not comply with the Companies Act, 2015.

Basis for Adverse Opinion

1.0 Inaccuracy of Financial statements

- 1.1** The statement of financial position as at 30 June 2018 reflects total assets of Kshs.312,060,638 and total equity and liabilities of Kshs.308,539,686 resulting to unreconciled variance of Kshs.3,520,952.
- 1.2** The statement of financial position as at 30 June 2018 reflects current liabilities of Kshs.450,558,166 and total current liabilities of Kshs.450,558,116 resulting to unreconciled variance of Kshs.50.
- 1.3** The statement of comparison budget and actual amounts for the year ended 30 June 2018 had casting errors amounting to Kshs2,330,235 as detailed below:

No	Item	Final budget Kshs	Actual Performance Kshs	Performance Variance as Per F/S Kshs	Re-casted Variance Kshs	Casting Error (Kshs)
1	Wasco Games	654,400	608,000	46,294	46,400	106
2	Maintenance of water supplies & sewerage	19,600,000	10,159,087	9,407,817	9,440,913	33,096
3	Total expenditure	305,295,609	271,626,892	34,850,435	33,668,717	(1,181,718)
4	Administration expenses	15,216,817	21,938,068	(5,539,532)	(6,721,251)	(1,181,719)

	Total	340,766,826	304,332,047	38,765,014	36,434,779	(2,330,235)
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Consequently, the accuracy and completeness of the financial statements for the year ended 30 June 2018 could not be confirmed.

2.0 Property, Plant and Equipment.

As previously reported, note 10 to the financial statements reflects cost of computers balance of Kshs.4,012,284 as at 30 June 2018. Included in this is a purchase of computers for the year ended 30 June 2016 at an aggregate cost of Kshs.129,880, out of which a sum of Kshs.80,000 was in respect to one laptop computer purchased for the Managing Director. However, the serial number of the laptop was not recorded in the company's asset register. Further, included in furniture and fitting additions for the year ended 30 June 2016 are office equipment additions costing Kshs.1,072,150, out of which expenditure totalling Kshs.300,000 relates to twelve (12) lockable steel cabinets which were, however, not tagged to show their existence and location.

The management indicated that they had purchased the tags. However, as at the time of audit in month of February 2019, the assets were not tagged.

In the circumstances, ownership of the laptop and steel cabinets costing Kshs.380,000 as at 30 June 2018 cannot be confirmed.

3.0 Trade and Other Receivables

As previously reported, the statement of financial position as at 30 June 2018 reflects trade and other receivables balance of Kshs.237,972,357. However, the provision for bad and doubtful debtors was not made in respect of the debts.

Further, the supporting schedule presented for audit reflected a balance of Kshs.243,331,744 in respect of the balance thus resulting to a variance of Kshs.5,359,387 which has neither been explained nor reconciled during the audit. As at the time of audit in the month of February 2019, the management had not adopted the policy of providing for bad and doubtful debts.

In the circumstances, it has not been possible to ascertain the validity, accuracy and completeness of trade receivables balance of Kshs.237,972,357 as at 30 June 2018 and that the balance is fairly stated as at the same date.

4.0 Customer Deposits

As previously reported, the statement of financial position as at 30 June 2018 reflects customer deposits balance of Kshs.13,331,549 out of which only Kshs.408,334 was banked in the deposit account in the Co-operative Bank of Kenya Ltd, thus leaving a balance of Kshs.12,923,215 unbanked and unaccounted for as at 30 June 2018. Audit review revealed that the company had not banked the customers deposit in the deposit account.

Consequently, the validity and completeness of customer deposits balance of Kshs.13,331,549 as at 30 June 2018 could not be confirmed.

5.0 Trade and Other Payables

As reported previously, the statement of financial position as at 30 June 2018 reflects trade and other payables balance of Kshs.450,558,166, as detailed in note 21 to the financial statements. The trade and other payables balance of Kshs.450,558,166 includes Kshs.401,974,377 payable to Coast Water Services Board for supply of bulk water costing Kshs.294,448,623 and lease fees of Kshs.107,525,754. However, the financial statements of Coast Water Service Board reflected a balance of Kshs.479,722,304 as the sum receivable from the Company, thus resulting to an unexplained nor reconciled variance of Kshs.77,747,927.

Further, included in the trade and other payables balance of Kshs.450,558,166 are payroll liabilities of Kshs.10,498,870, out of which salary deduction arrears owed to the National Water Conservation and Pipeline Corporation Staff Pension Scheme totaled Kshs.1,541,238 and Pay As You Earn (PAYE) deductions on Board allowances of Kshs.947,627 with both balances outstanding for over two years. The respective interest and penalties due on late payment of PAYE have not been accrued in these financial statements and further, management has not indicated when these long outstanding liabilities will be settled. Audit review revealed that the management had not reconciled the payable balance to Coast Water Services Board. Further, the management had not remitted the salary deduction arrears to the respective institutions.

Consequently, the accuracy and completeness of trade and other payables balance of Kshs.450,558,166 as at 30 June 2018 could not be confirmed.

6.0 Long Term Loan from Taita Taveta County Government

As previously reported, the statement of financial position as at 30 June 2018 reflects a long term loan balance of Kshs. 5,983,542 from Taita Taveta County Government. However, records from Taita Taveta County Government indicates that this was an emergency grant given to the water company by the Taita Taveta Emergency Fund to pay a water debt that had led to the disconnection of water supply in the whole County. It is not clear why the management decided to treat the grant as a long term loan without Board approval for the borrowing. Management indicated that they had written to the County Government to advice on the treatment of the funds advanced to them. However, at the time of audit in the month of February 2019, the County Government had not responded.

Consequently, the validity of the long term loan of Kshs.5,983,542 as at 30 June 2018 could not be confirmed.

7.0 Capital Reserves

As previously reported, the fair value adjustment reserve balance of Kshs.97,214,636 reflected in the statement of financial position as at 30 June 2018 represents unsupported

assets and liabilities transferred to the Company from the Ministry of Water and Irrigation and National Water Conservation and Pipeline Corporation. Audit review indicated that the management had not traced documents with details of assets and liabilities handed over by the National Water Conservation and Pipeline Corporation.

In the circumstances, it has not been possible to confirm the carrying value of the capital reserve balance of Kshs.97,214,636 reflected in these financial statements as at 30 June 2018.

8.0 Unaccounted for Water

Note 1 to the financial statements for the year ended 30 June 2018 reflects water sales of Kshs.214,864,470. Records availed for audit review indicated that during the year under review, the Company produced 5,613,040 cubic meters of water, out of which only 2,687,647 cubic meters approximately 48% was billed to customers. The unbilled balance of 2,925,393 cubic meters (or approximately 52% of the total volume) represented Unaccounted for Water (UFW), which is more than the maximum allowable loss of 25% by the Water Service Regulatory Board. The excess UFW resulted to abnormal, loss of water sales of 1,522,133 cubic meters or Kshs.97,751,381 using the rate of Kshs.64.22 per cubic meter. This eroded the Company's profitability and is a threat to the Company's sustainability.

Consequently, the abnormal loss of water balance of Kshs.97,751,381 for the year ended 30 June 2018 could not be confirmed.

9.0 Variances Between the Financial Statement Figures and Supporting Schedules

9.1 Expenses

The statement of comprehensive income for the year ended 30 June 2018 reflects a total expenses of Kshs.30,576,244 while the supporting schedules balance was Kshs.30,356,714 resulting to unreconciled variance of Kshs.219,530 as summarized below:

No	Item	Note	Financial statement Amount Kshs.	Schedule Amount Kshs.	Variance Kshs.
1	Finance expenses	8	18,958,002	18,705,376	252,626
2	Operations & maintenance expenses	4	11,618,242	11,651,338	(33,096)
Total			30,576,244	30,356,714	219,530

In the circumstances, the accuracy and completeness of expenses totaling Kshs.30,576,244 for the year ended 30 June 2018 could not be confirmed

9.2 Assets

The statement of financial position as at 30 June 2018 reflects a balance of Kshs.298,513,860 while the supporting schedules balance was Kshs.302,877,638 resulting to unreconciled variance of Kshs.4,363,778 as summarized below:

No	Item	Note	Financial statement Amount Kshs.	Schedule Amount Kshs.	Variance Kshs.
1	Property, plant & equipment	10	60,541,503	59,545,894	995,609
2	Trade & other receivables	12	237,972,357	243,331,744	(5,359,387)
	Total		298,513,860	302,877,638	(4,363,778)

In the circumstances, the accuracy and completeness of assets totaling Kshs.298,513,860 as at 30 June 2018 could not be confirmed.

10.0 Cash and Bank Balance

Note 13 to the financial statements for the year ended 30 June 2018 reflects a bank balance of Kshs.4,996,998. However, the following observations were made:

10.1 KCB Collection Account

Note 13 to the financial statements for the year ended 30 June 2018 reflects KCB Collection account balance of Kshs.1,326,698. However, the balance as at 30 June 2018 reflected by the bank confirmation certificate was Kshs.1,326,198 resulting to unreconciled variance of Kshs.500.

10.2 KCB Expenditure Account

Note 13 to the financial statements for the year ended 30 June 2018 reflects KCB Expenditure account balance of Kshs.1,447,523. However, the bank reconciliation reflects stale cheques amounting to Kshs.1,432,371 that were not replaced or written back to the cashbook.

10.3 Mpesa Account

Note 13 to the financial statements for the year ended 30 June 2018 reflects Mpesa Account balance of Kshs.457,307. However, the Mpesa statements were not availed for audit review.

10.4 Posta Pay Account

Note 13 to the financial statements for the year ended 30 June 2018 reflects Posta pay balance of Kshs.1,009,503. However, the confirmation certificate and bank statements were not availed for audit review.

10.5 Post Bank

Note 13 to the financial statements for the year ended 30 June 2018 reflects Posta pay balance of Kshs.238,765. However, the confirmation certificate and bank statements were not availed for audit review.

In the circumstances, the validity, accuracy and completeness of bank balance of Kshs.4,996,998 as at 30 June 2018 could not be confirmed.

11. Transport Expenses

Note 9 to the financial statements for the year ended 30 June 2018 reflects transportation, travelling and subsistence balance of Kshs.4,819,437. However, the supporting documents were not availed for audit review.

In the circumstances, the propriety and completeness of the travelling, transportation and subsistence of Kshs.4,819,437 for the year ended 30 June 2018 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Tavevo Water and Sewerage Company Limited in accordance with ISSAI 30 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 adverse opinion.

Emphasis of Matter

Going Concern

As reported previously, the statement of financial Position reflects current liabilities totaling to Kshs.450,558,166 while current assets total Kshs.249,615,362 resulting to negative working capital of Kshs.200,942,804. Further, the company realized a loss of Kshs.33,105,493(2016/2017-loss of Kshs.35,218,273), resulting to accumulated loss of Kshs.264,674,121 as at 30 June 2018. In addition, the statement of comprehensive income for the year ended 30 June 2018 reflects total revenue of Kshs.238,487,957 against a budget of Kshs.305,356,597 representing 78.1 % performance level or under-collection of Kshs.66,868,640 or 21.9%. The management has not provided satisfactory explanation as to why the revenue targets could not be achieved.

Consequently, the company may not be in a position to meet its financial obligations as and when they may fall due and its continued existence as a going concern depends on continued support from the Government, bankers and creditors.

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. Except for the matters described in

the Basis for Adverse Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1. Budgetary Control and Performance

1.1 Revenue Budget

During the year under review, the company had a revenue budget of Kshs.305,356,595 against actual collection of Kshs.238,487,957 or 78%, resulting to unrealized revenue of Kshs.66,868,640 or 22% detailed below:

Item	Budgeted Amount (Kshs.)	Actual Amount (Kshs.)	Revenue Over Collection (Kshs.)	Revenue Under Collection (Kshs.)	%
Water sales	286,785,521	214,864,470		(71,921,051)	(25)
Meter Rent	8,047,385	10,319,780	2,272,395		28
WSTF/CRBC Grants		1,642,847	1,642,847		100
Miscellaneous Income	10,523,691	11,660,860	1,137,169		10.88
Total	305,356,597	238,487,957	5,052,411	(71,921,051)	(21.9)

The overall revenue under collection of Kshs.66,868,640 or 22% is an indication that the management need to improve on collecting revenue from water sales. Therefore, the management should rethink on the strategies to improve on the water sales and billing.

1.2 Expenditure Budget

The Company's expenditure budget for the year was Kshs.305,295,609 against actual expenditure of Kshs.271,593,450 or 89%, resulting to an overall net under expenditure of Kshs.33,702,159 or 11% as detailed below:

Item	Budget (Kshs)	Actual Expenditure (Kshs)	Over Expenditure (Kshs)	Under Expenditure (Kshs)	%
Cost of sales	145,220,544	125,062,606	3,880,853	24,038,791	16.5
Administration Expenses	15,216,817	21,938,068	6,721,251		44
Operation & Maintenance	21,100,000	11,618,242		9,481,758	45
Professional fees	1,064,000	2,320,263	1,256,263		118
Staff Expenses	78,582,109	75,283,222		3,298,887	4
Directors fees/Expenses	3,946,000	2,762,438		1,183,562	30

Item	Budget (Kshs)	Actual Expenditure (Kshs)	Over Expenditure (Kshs)	Under Expenditure (Kshs)	%
Financial Expenses	23,682,632	18,958,002		4,724,630	20
Transport Expenses	16,483,507	13,650,609		2,832,898	17.2
Total	305,295,609	271,593,450	11,858,367	(45,560,526)	

The overall under expenditure of Kshs.33,702,159 or 11% is an indication that the company did not implement activities planned for the year ended 30 June 2018. The expenditure on electricity plumbing, abstraction fee, administration expenses and professional fees exceeded the overall budget by Kshs.11,858,367 and the approval was not availed for audit review.

1.3 Variable Billing

Records availed for audit review indicated that during the year under review, the Company produced 5,613,040 cubic meters of water, out of which only 2,687,647 cubic meters approximately 47.88% was billed to customers. However, audit revealed that the water production and billing in particular areas was not proportional resulting to some areas having high water production but low billing as summarized in the table below:

Town	Produced Water M ³	Billed Water (BW) M ³	Billed Water %	Unaccounted for Water (UFW) M ³	UFW %
Voi	1,813,920	1,237,753	68.2	576,167	31.8
Maungu	622,273	190,721	30.6	431,552	69.4
Makina	854,353	234,545	27.5	619,808	72.5
Mbololo	567,533	187,610	33.1	379,923	66.9
Mwatate	320,756	137,040	42.7	183,716	57.3
Wundanyi	356,946	149,803	42.0	207,143	58.0
Taveta	1,077,259	550,175	51.1	527,084	48.9
Total	5,613,040	2,687,647	47.88	2,925,393	52.12

The management has not explained why it produced large volumes of water to areas with very little demand of water.

In the circumstance, the sustainability of the Company's operations depends on the strategies applied by the management in production, billing and improved revenue collection.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Audit Fees

Note 21 to the financial statements reflects KENAO fees for outstanding audit fees of Kshs.4,396,000 charged by the Auditor General as per Section 41 (C) of Public Audit Act 2015 that requires the Auditor General to charge audit fees at the rates prescribed by the Auditor General. This balance has been outstanding for five (5) years. The management has not explained how the audit fees would be cleared.

In the circumstances, the management is in breach of the law.

2.0 Directors' Emoluments

The statement of comprehensive income reflects directors' emoluments totaling to Kshs.2,762,438, out of which a sum of Kshs.2,464,938 is in respect to sitting allowances paid to directors of the company. Records presented for audit indicated that during the year under review, there were six (6) full board meetings. However, this number of meetings contravened Section 4.9.2 of Corporate Governance Guidelines for the water services sector which provides that the committee shall not have more than four (4) sittings in a financial year. Any planned additional meetings and agenda should first be communicated and agreed by the respective Water Services Board. Approval by Coast Water Services Board for the two (2) extra sittings for which board Members received sitting allowances totaling to Kshs.192,000 was not presented for audit review.

In the circumstances, the management is in breach of the law.

3.0 Ethnicity

Tavevo Water and Sewerage Company Limited recruited senior managers during the year. However, the recruitment was not done as per the requirements of County Governments Act 2012 Section 65 (e) which emphasizes the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county. The dominant tribe representation in the management was 5/6 or 85.8 % and which is more than 70%.

Consequently, Tavevo Water and Sewerage Company Limited is in breach of the law.

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, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance/Adverse Opinion section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

Staff Salary

Note 6 to the financial statements for the year ended 30th June 2018 reflects an amount of Kshs.58,669,845 in respect to staff salary. However, the management did not avail an approved salary structure to support the expenditure.

In the absence of a clear salary structure, the recruitment and payment of staff may be subjective resulting to low morale and poor performance.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standard requires that I plan and perform the audit to obtain assurance about whether effective 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.

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern/ sustain, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the or to cease operations, or have no realistic alternative but to do so. 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.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity 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 non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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 ability of the Tavevo Water and Sewerage Company Limited to continue as a going concern or to sustain its services. 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 Tavevo Water and Sewerage Company Limited to cease to continue as a going concern or to sustain its services.
- 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 Tavevo Water and Sewerage Company Limited to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Tavevo Water and Sewerage Company Limited, so far as appears from the examination of those records; and,
- iii. The Tavevo Water and Sewerage Company Limited's financial statements are in agreement with the accounting records and returns.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

16 April 2019