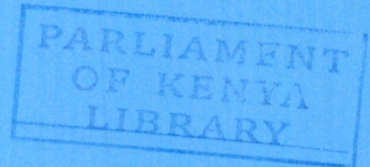




*Enhancing Accountability*

# REPORT

OF



THE NATIONAL ASSEMBLY  
PAPERS Laid

DATE: 10 FEB 2022

TABLED BY: LOM

CLERK-AT-THE-TABLE: B. Inzafu

THE AUDITOR-GENERAL

ON

**LAKE VICTORIA WATER SUPPLY AND  
SANITATION PROGRAM – (PHASE II) PROJECT  
NO. P-Z1-EA0-004 (ADF GRANT NO.  
2100155019967)**

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

**LAKE VICTORIA SOUTH WATER WORKS  
DEVELOPMENT AGENCY**



**Project Name: LAKE VICTORIA WATER SUPPLY AND SANITATION PROGRAM  
(PHASE II)**

**Implementing Entity: LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY**

**PROJECT GRANT/CREDIT NUMBER P-Z1-EA0-004  
(ADF GRANT NO. 2100155019967)**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2021**

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**Prepared in accordance with the Cash Basis of Accounting Method under the International  
Public Sector Accounting Standards (IPSAS)**

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

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**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

**1. PROJECT INFORMATION AND OVERALL PERFORMANCE**

**1.1 Name and registered office**

Name: Lake Victoria South Water Supply and Sanitation Phase II

**Objective:** The key objective of the project is to contribute to the improvement of livelihoods and health of communities in the basin and the reduction of pollution of the lake through improvements in sustainable water and sanitation infrastructure.

**Address:** Lake Victoria South Water Works Development Agency

Lavictors House  
Off Ring Road, Milimani  
P. O. Box 3325 Kisumu  
Kenya

**Telephone:** (254) 057 2025127

E-mail: [info@lvswwda.go.ke](mailto:info@lvswwda.go.ke)

Website: [www.lvswwda.go.ke](http://www.lvswwda.go.ke)

**1.2 Project Information**

Project Start Date:	4 <sup>th</sup> April 2011
Project End Date:	31 <sup>st</sup> December 2019
Program Coordinator :	Mr. Paul O. Agwanda
Project Sponsor:	African Development Fund(ADF)

**1.3 Project Overview**

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

Line Ministry/State Department of the project	The Program is under the supervision of the Ministry of Water and Sanitation.
Program number	NUMBER P-Z1-EA0-004 (ADF GRANT NO. 2100155019967)
Strategic goal of the Program	i. To contribute to the reversal of the pollution of the Lake through the improvement of sustainable water and sanitation infrastructure
Achievement of strategic goals	The Program management aims to achieve the goal through the following means: (i) Improvement of water supply (ii) Improvement of hygiene and environmental sanitation (iii) Urban drainage improvement (iv) Strengthen Capacity Building of the institutions.
Other important background information of the Program	The project is divided into three components namely: Works: (Short term and Long Term Interventions) Water Supply systems, Sanitation, Storm water drainage and land fill and skip sites development. Goods: Purchase of Tractors, Trailers and Skips, Exhausters and Ugotugs, Vehicles and Motorcycles, Furniture and office Equipment. Services: Study, Design, Supervision, Hygiene and Sanitation promotion and other consultant services.
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) Kericho (ii) Keroka (iii) Isebania
Program duration	The project started on 15 <sup>th</sup> April 2011 and ran until 31 <sup>st</sup> December 2019

**1.4 Bankers**

The following are the bankers for the current year:

Cooperative Bank of Kenya  
 Kisumu Branch  
 Account no. 01141295755600

**1.5 Auditors**

AUDITOR GENERAL  
 Office of the Auditor General  
 P. O. Box 30084 -00100  
 Nairobi

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.6 Roles and Responsibilities**

List the different people who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

<b>Names</b>	<b>Title designation</b>	<b>Key Qualifications</b>	<b>Responsibilities</b>
Mr. Chrispine O. Juma ,HSC	Ag. Chief Executive Officer	BSC degree in Civil Engineering, MSC and MBA.	Accounting Officer
Eng. Daniel O. Oronje	Project Coordinator	BSC degree in Civil Engineering and MA in Project Planning and Management	Project Coordinator
Vincent Kipng'eno	Water Engineer	B-Tech Degree in Soil and Structural Engineering	Project Engineer.
George Ageng'o	Chemist	BSC degree and MA in Project Planning and Management	Environmentalist
Martin O. Mayi	Procurement Manager	BA degree, and MBA	Procurement Expert
Kelvins Otieno	Project Accountant	BCom degree in Finance. Registered Accountant	Program Accountant
Diana Adhiambo	Community Development Officer	BA. Community development	Community Development Officer

**1.7 Funding summary**

The Projects initial duration was for Four years from 2011 to 2015 but has been extended to 31<sup>st</sup> December 2019 with an approved budget of UA 11.84 Million equivalent to Kshs 1,506,725,531 as highlighted in the table below:

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**  
**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

Below is the funding summary:

**A. Source of Funds**

Source of funds	Donor Commitment-		Amount received to date – (30-06-2021)		Undrawn balance to date	
	Donor currency	KShs	Donor currency	KShs	Donor currency	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
<b>(i) Grant</b>						
African Development Bank	10,390,000	1,320,593,041	11,385,363	1,447,105,994	-	-
<b>(ii) Counterpart funds</b>						
Government of Kenya	1,450,000	186,132,490	2,105,275	431,274,725	-	-
<b>Total</b>	<b>11,840,000</b>	<b>1,506,725,531</b>	<b>13,490,638</b>	<b>1,878,380,719</b>	<b>-</b>	<b>-</b>

## PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

## B. Application of Funds

Application of funds	Amount received to date – (30 <sup>th</sup> June 2021)		Cumulative Amount paid to date – (30 <sup>th</sup> June 2021)	Unutilised balance to date (30 <sup>th</sup> June 2021)	
	Donor currency (UA)	Kshs		Donor currency	Kshs
	(A)	(A')	(B')	(A)-(B)	(A')-(B')
<b>(i) Grant</b>					
African Development Bank	11,385,363	1,447,105,994	1,447,105,994	-	-
<b>(ii) Counterpart funds</b>					
Government of Kenya	2,105,275	431,274,725	431,274,725	-	-
<b>Total</b>	<b>13,490,638</b>	<b>1,878,380,719</b>	<b>1,878,380,719</b>	<b>-</b>	<b>-</b>

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**  
**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.8 Summary of Overall Project Performance:**

- i) The project was completed and the Budget allocation was to cater for the pending bills that had not been paid by the time the project closed. Hence the budget was 100% complete to date.
- ii) The project physical progress is operational and it was handed over to Gusii Water and Sanitation Company for operation.
- iii) The project achieved its value on completion and handing over for operation.
- iv) The implementation challenges included land issues, Environmental challenges which were solved during the implementation of the project.

**1.9 Summary of Project Compliance:**

- There are no non-compliance issues with applicable laws and regulations, and essential external financing agreements/covenants that are in the project.

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**  
**2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES**

**Introduction**

The Development Objectives of LVWATSAN II was to improve the health and quality of life of the populations living in the Lake Victoria basin. The main objective of the program was to reduce pollution of the Lake Victoria by implementing sustainable water and sanitation infrastructure in 15 selected secondary towns in the Lake Victoria basin, among them, Kericho, Keroka and Isebania.

The key development objectives of the project are to:

Support pro-poor water and sanitation investments in the secondary urban centres in the Lake Victoria Region;

- b) Build institutional and human resource capacities at local and regional levels for the sustainability of improved water and sanitation services;
- c) Facilitate the benefits of upstream water sector reforms to reach the local level in the participating urban centres;
- d) Reduce the negative environmental impact of urbanization in the Lake Victoria Basin.

**Progress on attainment of Strategic development objectives**

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

Procurement of:

- Purchase of performance enhancing equipment such as: Motor vehicles (5no.), Motor Cycles (5no.), Exhausters (4no.), Tractors (7no.) Trailers (7no) and Skips (86no)
- Construction of STI Works for Kericho, Keroka & Isebania, was successfully completed. The project is currently benefitting the communities with number of new connections being 300 in Keroka and 500 in Isebania
- Rehabilitation of Kericho Sewerage System, Sewer Extensions and Sanitation Facilities was initially awarded to Stansha Ltd but was terminated at 70% completion due to non-performance of the Contractor. The project has been re-awarded to Zhongmei Engineering Co. for the completion of outstanding works and other additional works. Current progress is at 98% for the re-awarded works.
- Construction of Water Supply and Sanitation Works for Keroka & Isebania Towns:
- Keroka Component awarded to Zhongmei is complete and currently benefitting the residents. Isebania component Completed by Zhongmei and is currently benefitting the residents. Sirare works is about 100% complete.

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

- Construction of Sanitary Landfill & Faecal Sludge Treatment Plant for Isebania Town awarded to Riang International Group Ltd. Works initially delayed by presence of huge underlying rock formation leading to re-design of the landfill, which are now complete
- Consultancy Services for Detailed Designs and Supervision was awarded to GIBB Africa Ltd. Currently all designs for the works projects have been done. The contract is about 99% complete. An addendum to the consultancy contract has been given to cover the extended implementation period of the on-going works and the Defects Notification Period.
- Consultancy for Hygiene and Sanitation Promotion was awarded to RAPADO. It entailed promotion of hygiene and sanitation practices. The contract was completed

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

**3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

Lake Victoria Water and Sanitation Phase II Project exists to contribute to the reversal of the pollution of the Lake through the improvement of sustainable water and sanitation infrastructure by ensuring the provision of sufficient, hygienic, economically viable and affordable Water and Sanitation Services for the population of the selected towns, thus contributing to the overall development goal of improving the health of the urban population by reducing waterborne diseases and favouring economic development. The other main purpose was to improvement of water supply, improvement of hygiene and environmental sanitation, Urban drainage improvement and Strengthen Capacity Building of the institutions. Below is a brief highlight of our achievements in each pillar.

**1. Sustainability strategy and profile-**

In performing her mandate, LVSWWDA is committed to perform ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. LVSWWDA undertakes to conduct business in a way which will achieve sustainable growth, in line with legal and moral obligations. We aim to achieve our business objectives in a caring and responsible manner taking into account economic, social and environmental impacts. In light of this, LVSWWDA has conducted various CSR projects under the different projects we are implementing.

**2. Environmental performance**

The Agency is operating as per the NEMA provisions of the EMCA 1999, and Environmental (Impact Assessment and Audit) Regulations 2003 as well as other environmental regulations (statutory requirements). The Agency therefore conducts environmental and social impact assessment for all its projects to ensure compliance with the regulations. The Projects were licenced by NEMA before constructions commences and regular monitoring is done during construction to ensure compliance and protection of the environment. Catchment management activities are incorporated in the projects. The Agency has an environmentalist who is a Project Implementation Team member for all the projects.

**3. Employee welfare**

The project management is by LVSWWDA staff and therefore the entity's employee welfare policies and guidelines apply as detailed below:

The Agency has developed an approved Human Resource Instruments in which one of the guidelines is a comprehensive Human Resource Policy and Procedures Manual which is the primary document in the management of the Human Resources at the Agency. The document contains provisions for managing the entire scope of Human Resource Management and Development cycle.

It generally guides the implementation of the policies and decision making at various levels within the Agency on matters human capital. The policy provision covers the entire recruitment process, pay and benefits, employee relations, performance management, training & development and the health and safety issues. in consideration of the affirmative actions, the policy addresses issues related to gender balance, persons with disability and consideration of the marginalized communities in all aspects of human resources dynamics.

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

Under the career development, LVSWWDA has a comprehensive career progression document that outlines employee succession plans including requirements for internal promotions and the external engagements where talents may be required within its establishment. This is an instrument that outlines job descriptions for each cadre of employee. Together with the annual departmental workplans and the Government's performance contracting tool enables employees set their targets and eventually evaluated through annual appraisals. The evaluation enables employees of the Agency to be upskilled, helped or otherwise redeployed and upscaled.

The Agency also recognizes and commits itself to the achievement of the highest standards of health and safety in the workplace, and the elimination or minimization of health and safety hazards and risks that may affect its employees. In this regard, it implements policies and programmes that assure their protection from such hazards and disasters. The policies and programmes are implemented in compliance with the provisions of Occupational Safety and Health Act, 2007 and other Labour Laws.

**4. Market place practices-**

The Agency ensures incorporation of competitive market practices through, encouraging competitive bidding by Placing advertisements for all tenders in our local dailies, our website and The Govt. of Kenya Treasury portal. This enables all prospective bidders to access the information and to participate. At the close of all tenders, representatives who choose to attend are invited to witness the opening of the tenders to ensure transparency in the bidding process. All the participants are informed of the outcome of the procurement process.

LVSWWDA has always maintained an effective feedback mechanism by holding an annual supplier meeting to get feedback from suppliers and contractors. Any concerns raised during the forum are adequately addresses.

All engagements between LVSWWDA and suppliers and/or contractors take the form of purchase orders and contracts which are signed by both parties and they clearly enumerate responsibilities and obligations of either party. The payment schedules also form part of the contracts and they are strictly adhered to during the contract period. LVSWWDA encourages public participation and also clearance by relevant Govt agencies to ensure consumer rights and interests are not infringed

**5. Community Engagements-**

The Agency through the project undertook various CSR activities within the area of project implementation. Notably, the Agency has constructed VIP latrine blocks and water collection points and train the communities on hygiene promotions in Kericho, Isebania, keroka and Sirare Towns. The sanitation blocks were constructed during the implementation stage between in 2012 and 2014 to alleviate the sanitation challenges facing the Lake from the regions.

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

**4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Chief Executive Officer of Lake Victoria South Water Works Development Agency (The Agency), which is the implementing agency (IA) of the project under the Ministry of Water & Irrigation and the Program Coordinator for ADB funded Projects are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangement 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 the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

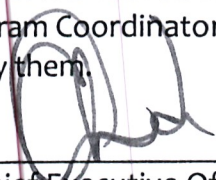
The Chief Executive Officer of the Agency and the Program Coordinator for LVWATSAN II project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

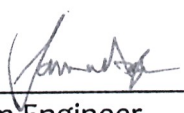
The Chief Executive Officer of the Agency and the Program Coordinator for LVWATSAN II Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2021, and of the Project's financial position as at that date. The Chief Executive Officer of the Agency and the Project Coordinator for LVWATSAN II Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.


The Chief Executive Officer of the Agency and the Program Coordinator for LVWATSAN II Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Project financial statements**

The Project financial statements were approved by The Chief Executive Officer of the Agency and the Program Coordinator for LVWATSAN II Project on 30/06/2021 2021 and signed by them.

  
\_\_\_\_\_  
Ag. Chief Executive Officer  
Mr. Chrispine O. Juma

  
\_\_\_\_\_  
Program Engineer  
Mr. Paul O. Agwanda

  
\_\_\_\_\_  
Program Accountant  
Kelvins Bradocks Otieno  
ICPAK MNO: 9939

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



OFFICE OF THE AUDITOR GENERAL

*Enhancing Accountability*

**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON LAKE VICTORIA WATER SUPPLY AND SANITATION PROGRAM - (PHASE II) PROJECT NO. P-Z1-EA0-004 (ADF GRANT NO.2100155019967) FOR THE YEAR ENDED 30 JUNE, 2021 - LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY**

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### PREAMBLE

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

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

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

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

## REPORT ON THE FINANCIAL STATEMENTS

### Opinion

I have audited the accompanying financial statements of Lake Victoria Water Supply and Sanitation Program (Phase II) Project set out on pages 1 to 22, which comprise the statement of financial assets as at 30 June, 2021, and the statement of receipts and payments, 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, the financial statements present fairly, in all material respects, the financial position of Lake Victoria Water Supply and Sanitation Program (Phase II) Project as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the terms of Financing Agreement ADF Grant No. 2100155019967 dated 4 April, 2011 between the African Development Fund and East African Community and the Subsidiary Agreement No. LVWATSAN/KE/002 dated 15 April, 2011 between the Government of Kenya and East African Community and Public Finance Management Act, 2012.

### Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Lake Victoria Water Supply and Sanitation Program (Phase II) Project 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 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

#### 1. Budget Performance

The Project had an approved budget of Kshs.174,750,000 during the year under review for implementation of project activities. During the same period, the Project recorded expenditure of Kshs.161,026,424 or approximately 92% of the approved budget resulting to under expenditure of Kshs.13,723,576 or approximately 8% of the approved budget. Although the Management has explained that the delay in utilization of the funds was due to the late release of funds from the ministry, no further action had been taken to ensure that in future there are no such delays.

The citizens therefore did not obtain the benefits accruing from the unspent funds.

## **2. Excess Funds Drawn by the Project**

The funding summary under the Project information indicates that the Donor had made commitments amounting to Kshs.1,320,593,041 equivalent of UA10,390,000. However, actual drawdowns as at 30 June, 2021 amounted to Kshs.1,447,105,994 equivalent to UA11,385,363 indicating that the Project had drawn in excess of the funds committed by Kshs.126,512,953. Similarly, the Government of Kenya counterpart funds commitment was Kshs.186,132,490 equivalent to UA1,450,000. However, Kshs.431,274,725 equivalent to UA2,105,275 of the counterpart funds had been drawn indicating that the Project had also drawn in excess of the committed counterpart funds by Kshs.245,142,235.

Although the Management has explained that the over funding was as a result of additional cost on Keroka-Isebania projects through an addendum, retendering cost as a result of termination of the first contract, increase scope of the Project and the exchange rates which were used at the time of signing the agreement being different from those used at the time of receiving grants, no documentary evidence was provided for audit verification in support of the explanations.

Consequently, the increased Project funding of Kshs.371,655,188 cannot be confirmed.

## **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, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

## **Basis for Conclusion**

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

## **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 Public Sector Accounting Standards (Cash 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 Project's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to terminate the Project or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Project's 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 Lake Victoria Water Supply and Sanitation Programme Phase II policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism 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 applicable 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 Project's ability to continue 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 Project to cease to continue 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 Project 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.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**


**23 December, 2021**

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

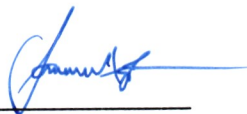
**6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021.**

	Note	2020/2021			2019/2020		Cumulative to-date (From inception) Total
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	
		KShs	Shs		KShs	KShs	KShs
<b>RECEIPTS</b>							
Transfer from Government entities	1	161,026,424	-	161,026,424	49,944,092	-	431,274,725
Proceeds from domestic and foreign grants	2	-	-	-	-	-	1,447,105,994
Loan from external development partners	3	-	-	-	-	-	-
Miscellaneous receipts	4	-	-	-	-	-	-
<b>TOTAL RECEIPTS</b>		<b>161,026,424</b>	<b>-</b>	<b>161,026,424</b>	<b>49,944,092</b>	<b>-</b>	<b>1,878,380,719</b>
<b>PAYMENTS</b>							
Compensation of employees	5	-	-	-	-	-	-
Purchase of goods and services	6	-	-	-	-	-	-
Acquisition of non-financial assets	7	161,026,424	-	161,026,424	49,944,092	-	1,878,361,845
Transfers to other government entities	8	-	-	-	-	-	-
Other grants and transfers and payments	9	-	-	-	-	-	-
<b>TOTAL PAYMENTS</b>		<b>161,026,424</b>	<b>-</b>	<b>161,026,424</b>	<b>49,944,092</b>	<b>-</b>	<b>1,878,361,845</b>
<b>SURPLUS/(DEFICIT)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,874</b>
<b>(DEFICIT)</b>							

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



**Ag. Chief Executive Officer**  
**Mr. Chrispine O. Juma**



**Program Engineer**  
**Mr. Paul O. Agwanda**



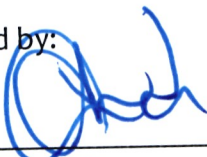
**Program Accountant**  
**Kelvins Bradocks Otieno**  
**ICPAK MNo: 9939**

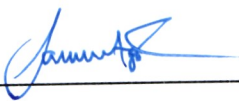
**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**


**7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021**

	Note	2020-2021 KShs	2019-2020 KShs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	10.A	18,874	18,874
Cash Balances	10. B	-	-
Cash Equivalents (short-term deposits)	10.C	-	-
<b>Total Cash and Cash Equivalents</b>		<b>18,874</b>	<b>18,874</b>
<b>TOTAL FINANCIAL ASSETS</b>		<b>-</b>	<b>-</b>
<b>FINANCIAL LIABILITIES</b>			
Payables- Deposits and Retentions	12	-	-
<b>NET ASSETS</b>		<b>18,874</b>	<b>18,874</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	13	18,874	18,874
Prior year adjustments	14	-	-
Surplus/(Deficit) for the year		-	-
<b>NET FINANCIAL POSITION</b>		<b>18,874</b>	<b>18,874</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30/09/2021 2021 and signed by:

  
 \_\_\_\_\_  
**Ag. Chief Executive Officer**  
 Date 30/09/2021

  
 \_\_\_\_\_  
**Project Coordinator**  
 Date 30/09/2021

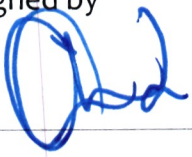
  
 \_\_\_\_\_  
**Project Accountant**  
 Date 30/09/2021  
 ICPAK M.No.9939

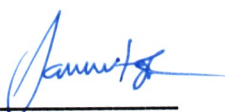
**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**


**8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2021**

	Note	2020-2021 KShs	2019-2020 KShs
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts from operating activities</b>			
Transfer from Government entities	1	161,026,424	49,944,092
Proceeds from domestic and foreign grants	2	-	-
Miscellaneous receipts	4	-	-
<b>Payments from operating activities</b>			
Compensation of employees	5	-	-
Purchase of goods and services	6	-	-
Transfers to other government entities	8	-	-
Other grants and transfers	9	-	-
<b>Adjustments during the year</b>			
Prior Year Adjustments	14	-	-
Decrease/(Increase) in Accounts Receivable	15	-	-
Increase/(Decrease) in Accounts Payable:	16	-	-
<b>Net cash flow from operating activities</b>		<b>161,026,424</b>	<b>49,944,092</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	7	(161,026,424)	(49,944,092)
<b>Net cash flows from Investing Activities</b>		<b>(161,026,424)</b>	<b>(49,944,092)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings	2	-	-
<b>Net cash flow from financing activities</b>		<b>-</b>	<b>-</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>-</b>	<b>-</b>
Cash and cash equivalent at BEGINNING of the year	10	18,874	18,874
Cash and cash equivalent at END of the year	10	18,874	18,874

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/09/2021 2021 and signed by

  
 Ag. Chief Executive Officer  
 Date 30/09/2021

  
 Project Coordinator  
 Date 30/09/2021

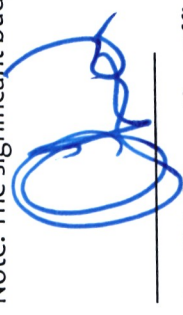
  
 Project Accountant  
 Date 30/09/2021  
 ICPAKMNo:9939

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWASISAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**


**9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
<b>Receipts</b>						
Transfer from Government entities	174,750,000	-	174,750,000	161,026,424	13,723,576	92%
Proceeds from domestic and foreign grants						
Proceeds from borrowings						
Miscellaneous receipts						
<b>Total Receipts</b>	<b>174,750,000</b>	<b>-</b>	<b>174,750,000</b>	<b>161,026,424</b>	<b>13,723,576</b>	<b>92%</b>
<b>Payments</b>						
Compensation of employees						
Purchase of goods and services						
Social security benefits						
Acquisition of non-financial assets	174,750,000	-	174,750,000	161,026,424	13,723,576	92%
Transfers to other government entities						
Other grants and transfers						
<b>Total Payments</b>	<b>174,750,000</b>	<b>-</b>	<b>174,750,000</b>	<b>161,026,424</b>	<b>13,723,576</b>	<b>92%</b>

Note: The significant budget utilisation/performance differences in the last column are explained in Annex 1 to these financial statements.

  
 \_\_\_\_\_  
**Ag. Chief Executive Officer**

Date 30/09/2021

  
 \_\_\_\_\_  
**Project Coordinator**

Date 30/09/2021

  
 \_\_\_\_\_  
**Project Accountant**

Date 30/09/2021

ICPAKM.No:9939

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

**10. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are set out below:

**9.1 Basis of Preparation**

**Statement of compliance and basis of preparation**

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

The accounting policies adopted have been consistently applied to all the years presented.

**9.2 Reporting entity**

The financial statements are for the Lake Victoria South Water & Sanitation Project Phase II under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

**9.3 Reporting currency**

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

**9.4 Significant Accounting Policies**

**a) Recognition of receipts**

The Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received by the Government.

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

**i) Transfers from the Exchequer**

Transfer from Exchequer is be recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

**Significant Accounting Policies (Continued)**

**ii) External Assistance**

External assistance is received through grants and loans from multilateral and bilateral development partners.

**iii) Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements the time associated cash is received.

**b) Donations and grants**

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

**c) Proceeds from borrowing**

Borrowing includes Treasury bill, treasury bonds, corporate bonds, sovereign bonds and external loans acquired by the Project or any other debt the Project may take on will be treated on cash basis and recognized as a receipt during the year they were received.

**d) Undrawn external assistance**

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

**e) Recognition of payments**

The Project recognises all payments when the event occurs, and the related cash has actually been paid out by the Project.

**Significant Accounting Policies (Continued)**

**i) Compensation of employees**

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

**ii) Use of goods and services**

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be disclosed as pending bills.

**iii) Interest on borrowing**

Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.

**iv) Repayment of borrowing (principal amount)**

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

**v) Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

**f) In-kind donations**

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles,

**Significant Accounting Policies (Continued)**

**f) In-kind donations**

equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

**g) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and 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 authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**Restriction on cash**

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

**h) Accounts receivable**

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

**Significant Accounting Policies (Continued)**

**i)Contingent Liabilities**

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
  - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. this financial statement is a register of the contingent liabilities in the year.

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

**j)Contingent Assets**

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

**Significant Accounting Policies (Continued)**

**k) Pending bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Project at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

**l) Budget**

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation.

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

**m) Third party payments**

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties column in the statement of receipts and payments.

During the year there was no disbursements were received in form of direct payments from third parties.

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

**Significant Accounting Policies (Continued)**

**n) Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

**o) Comparative figures**

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

**p) Subsequent events**

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2021

**q) Errors**

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

**11. NOTES TO THE FINANCIAL STATEMENTS**

**1. RECEIPTS FROM GOVERNMENT OF KENYA**

These represent counterpart funding and other receipts from government as follows:

	2020/21	2019/20	Cumulative to-date (from inception)
	KShs	KShs	
<b>Counterpart funding through Ministry of Water &amp; Irrigation</b>			
Counterpart funds Quarter 1	43,687,500	7,500,000	
Counterpart funds Quarter 2	74,750,000	7,500,000	
Counterpart funds Quarter 3	-	7,500,000	
Counterpart funds Quarter 4	42,588,924	27,444,092	
<b>Total (See Annex 2)</b>	<b>161,026,424</b>	<b>49,944,092</b>	<b>431,274,725</b>
<b>Other transfers from government entities</b>			
Ministry of Water Sanitation & Irrigation	-	-	-
Government agency	-	-	-
Appropriations-in-Aid	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

**2. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS**

During the 12 months to 30 June 2021 we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount in KShs	
			KShs	KShs	KShs	2020/21	2019/20
<b>Grants Received from Bilateral Donors (Foreign Governments)</b>							
Insert name of foreign Government		-	-	-	-	-	-
<b>Grants Received from Multilateral Donors (International Organizations)</b>							
Insert name of international organization		-	-	-	-	-	-
<b>Grants Received from Local Individuals and organizations</b>							
Insert name of individual or local organization		-	-	-	-	-	-
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

\* The direct payment grants represent payments for goods and services done directly by the donor on behalf of the project. Projects should ensure that the adequate documents and support document is requested from the donors to support this grant.

**3. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS**

During the 12 months to 30 June 2021 the project did not have Loan component from development partners

**4. MISCELLANEOUS RECEIPTS**

	2020/21			2019/2020	Cumulative to-date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts	Total Receipts	
	KShs	KShs	KShs	KShs	KShs
Property income	-	-	-	-	-
Sales of goods and services	-	-	-	-	-
Administrative fees and charges	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**5. COMPENSATION OF EMPLOYEES**

	2020/2021			2019/2020	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Basic salaries of permanent employees	0	0	0	0	0
Basic wages of temporary employees	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**6. PURCHASE OF GOODS AND SERVICES**

	2020/2021			2019/2020	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Domestic travel and subsistence	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

There were purchases during the year.

**7. ACQUISITION OF NON-FINANCIAL ASSETS**

	2020/21			2019/20	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Construction of roads	-	-	-	-	-
Construction of civil works	161,026,424	-	161,026,424	49,944,092	431,274,725
Overhaul & refurbishment of construction and civil works	-	-	-	-	-
<b>Total</b>	<b>161,026,424</b>	<b>-</b>	<b>161,026,424</b>	<b>49,944,092</b>	<b>431,274,725</b>

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8. TRANSFERS TO OTHER GOVERNMENT ENTITIES**

During the 12 months to 30 June 2021, there were no transferred funds to reporting government entities as shown below:

	2020/21			2019/20	
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to-date
	KShs	KShs	KShs	KShs	KShs
<b>Transfers to National Government entities</b>					
Project XYZ	0	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Transfers to County Governments</b>					
County XYZ	0	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**9. OTHER GRANTS AND TRANSFERS AND PAYMENTS**

	2020/21			2019/20	
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to-date
	KShs	KShs	KShs	KShs	KShs
Grants for scholarships	0	0	0	0	0
Transfers to lower levels of government e.g schools	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**10. CASH AND CASH EQUIVALENTS**

	2020/21			2019/20	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Cash in Hand	0	0	0	0	0
Bank Accounts	0	18,874	18,874	18,874	18,874
Short term deposits	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>18,874</b>	<b>18,874</b>	<b>18,874</b>	<b>18,874</b>

The project has 1 number of project accounts spread within the project implementation area and 0 number of foreign currency designated accounts managed by the National Treasury as listed below:

**10. A Bank Accounts**

**Project Bank Accounts**

	2020/21	2019/20
	KShs	KShs
Bank accounts (Note 8.13A)(Coop Bank 01141295755600	18,874	18,874
Cash in hand (Note 8. 13B)	-	-
Cash equivalents (short-term deposits) (Note 8.13C)	-	-
<b>Total</b>	<b>18,874</b>	<b>18,874</b>

**Special Deposit Accounts**

The balances in the Project's Special Deposit Account(s) as at 30<sup>th</sup> June 2021 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

The project did not have budget because it is completed and hence there was no Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year as indicated below.

**Special Deposit Accounts Movement Schedule**

	2020/21	2019/20
	KShs	KShs
<b>(i) A/C Name [A/c No.....]</b>		
Opening balance	0	0
Total amount deposited in the account	0	0
Total amount withdrawn (as per Statement of Receipts & Payments)	0	0
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	0	0
<b>(ii) A/c Name [A/c No.....]</b>		
Opening balance (as per the SDA reconciliation)	0	0
Total amount deposited in the account	0	0
Total amount withdrawn (as per Statement of Receipts & Payments)	0	0
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	0	0

**10 B Cash In Hand**

	2020/21	2019/20
	KShs	KShs
HQ	0	0
<b>Total cash balances</b>	<b>0</b>	<b>0</b>

**10 C**

**Cash equivalents (short-term deposits)**

	2020/21	2019/20
	KShs	KShs
Co-Operative Bank of Kenya [A/C No.....]	0	0
Others (Specify)	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**11. ACCOUNTS RECEIVABLES**

Government Imprests	0	0
Salary advances	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**12. ACCOUNTS PAYABLES**

Retention	0	0
Deposits	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**13. FUND BALANCE BROUGHT FORWARD**

Bank accounts	18,874	18,874
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
<b>Total</b>	<b>18,874</b>	<b>18,874</b>

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

**14. PRIOR YEAR ADJUSTMENT**

Description of the error	Balance b/f FY 2019/2020 as per Financial statements	Adjustments	Adjusted Balance b/f
	Kshs	Kshs	FY 2019/2020 Kshs
Bank account Balances	0	0	0
Cash in hand	0	0	0
Accounts Payables	0	0	0
Receivables	0	0	0
Others ( <i>specify</i> )	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

**15. CHANGES IN RECEIVABLE**

Description of the error	2020-2021 KShs	2019-2020 KShs
Opening Receivables as at 1 <sup>st</sup> July 2020	0	0
Closing account receivables as at 30 <sup>th</sup> June 2021	0	0
<b>Change in Receivables</b>	<b>0</b>	<b>0</b>

**16. CHANGES IN ACCOUNTS PAYABLE**

Description of the error	2020-2021 Kshs	2019-2020 Kshs
Deposit and Retentions as at 1 <sup>st</sup> July 2020	0	0
Closing accounts payables as at 30 <sup>th</sup> June 2021	0	0
<b>Change in payables</b>	<b>0</b>	<b>0</b>

**12. OTHER IMPORTANT DISCLOSURES**

**1. PENDING ACCOUNTS PAYABLE (See Annex 2)**

Description	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2020/2021
	Kshs	Kshs	Kshs	Kshs
Construction of civil works	470,704,246	-	161,026,424	309,677,822
<b>Total</b>	<b>470,704,246</b>	<b>-</b>	<b>161,026,424</b>	<b>309,677,822</b>

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

**2. PENDING STAFF PAYABLES (See Annex 3B)**

Description	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f
	Kshs	Kshs	Kshs	FY 2020/2021 Kshs
Others	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**3. OTHER PENDING PAYABLES (See Annex 3C)**

Description	Balance b/f FY 2020/2021	Additions for the period	Paid during the year	Balance c/f FY 2020/2021
	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government entities	0	0	0	0
Amounts due to County Government entities	0	0	0	0
Amounts due to third parties	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**4. EXTERNAL ASSISTANCE**

Description	FY 2020/2021	FY 2019/2020
	Kshs	Kshs
External assistance received as grants	0	0
External assistance received as loans	0	0
External assistance received in kind- as payment by third parties	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

**OTHER IMPORTANT DISCLOSURES (Continued)**

*a). External assistance relating loans and grants*

Description	FY 2020/2021 Kshs	FY 2019/2020 Kshs
External assistance received as grants	0	0
External assistance received as loans	0	0
External assistance received in kind- as payment by third parties	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

*b) Undrawn external assistance*

Description	FY 2020/2021 Kshs	FY 2019/2020 Kshs
External assistance received as loans	0	0
External assistance received as grants	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

*c) Classes of providers of external assistance*

Description	FY 2020/2021 Kshs	FY 2019/2020 Kshs
Multilateral donors	0	0
Bilateral donors	0	0
International assistance organization	0	0
NGOs	0	0
National Assistance Organization	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

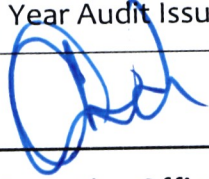
**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**

**Reports and Financial Statements for the financial year ended June 30, 2021**

**13. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
1	Excess Funds Drawn by the Project	The issue is attributed to the exchange rates translation from time to time. This having in mind that the project started in the fy 2011-2012	Resolved	
2	Long Overdue and inaccurate pending bills	The pending bills relates to additional works on sewerage that was necessary and penalties that could not be avoided hence the counterpart was to pay.	Resolved through sourcing of funds from the Government on budgeting.	30.06. 2022
3	Unresolved Prior Year Audit Issues	The Audit issues have now been captured.	Resolved	

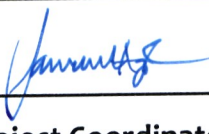


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**Ag. Chief Executive Officer**

30/09/2021

**Date**



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**Project Coordinator**

30/09/2021

**Date**

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

**14. ANNEXES**

**ANNEX I - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
<b>Receipts</b>					
Transfer from Government entities	174,750,000	161,026,424	(13,723,576)	92	
<b>Total Receipts</b>	<b>174,750,000</b>	<b>161,026,424</b>	<b>(13,723,576)</b>	<b>92</b>	
<b>Payments</b>					
Acquisition of non-financial assets	174,750,000	161,026,424	(13,723,576)	92	
<b>Total payments</b>	<b>174,750,000</b>	<b>161,026,424</b>	<b>(13,723,576)</b>	<b>92</b>	

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

**ANNEX ii - ANALYSIS OF PENDING BILLS**

Supplier of Goods or Services	IPC	Outstanding 2020/21	Balance	Comments
Construction of Civil Works: Water supply Systems in Keroka & Isebania- Zhongmei Engineering	12 A	10,281,810		The amount is paid by the GOK Counterpart on budgeting. The payment are made through disbursed budget allocation.
	12 B	45,705,442		
	Retention 1	59,495,770		
	Retention 1	92,000,000		
Completion of Kericho sewerage works- Zhongmei Engineering	7	94,755,427		
Consultancy for Design and Supervision- GIBB Africa Ltd	15	7,439,374		
<b>Grand Total</b>		<b>309,677,822</b>		

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
**Reports and Financial Statements For the financial year ended June 30, 2021**

**ANNEX iii – SUMMARY OF FIXED ASSETS REGISTER**

Asset class	Opening Cost (KShs)	Donations in form of assets (KShs) 2020/2021	*Purchases/ Additions in the Year (KShs) 2020/2021	**Disposals in the Year (KShs) 2020/2021	Transfers in/(out) Kshs 2020/2021	Closing Cost (KShs) 2020/2021
	(a)	(b)	(c)	(d)	(d)	(e) = (a) + (b) + (c) - (d) - (e)
Motor Cycles	2,250,000	-	-	-	-	2,250,000
Double Cab Pickups	8,000,000	-	-	-	-	8,000,000
SUV Vehicle	3,580,000	-	-	-	-	3,580,000
Sludge Exhausters Vehicles	38,267,770	-	-	-	-	38,267,770
Laptops & Copiers	909,480	-	-	-	-	909,480
Furniture	501,180	-	-	-	-	501,180
Tractors	27,930,000	-	-	-	-	27,930,000
Skips & Skip Loaders	24,423,000	-	-	-	-	24,423,000
<b>Total</b>	<b>105,861,430</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105,861,430</b>

**Notes**

\* Purchases/Additions in the year reconciled to the amount in Statement of Receipts and Payments

\*\* The disposal amount to be disclosed in this register is the cost that the asset was acquired at and not the price at which it has been sold. The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency. Additions during the year should tie to note 18 on acquisition of assets during the year. Ensure this section is complete covering all the entities assets.

Ensure the complete fixed asset register is separately prepared as per circular number 5/2020 and follow up reminder of circular No. 23/2020 of The National Treasury

**LAKE VICTORIA WATER SUPPLY AND SANITATION PHASE II (LVWATSAN II)**  
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**APPENDICES**

**i. Trial Balance**

**TRIAL BALANCE SHEET AS AT 30TH JUNE 2021**

DESCRIPTION	DR	CR
	Ksh	Ksh
Ministry of Water and Sanitation and irrigation	43,500,000	
Ministry of Water and Sanitation and irrigation	48,000,000	
Ministry of Water and Sanitation and irrigation	82,500,000	
GOK Counterfunding for the year		
<b>GOK Payments</b>		
Zhongmei Engineering Group		19,464,775
Zhongmei Engineering Group		9,790,797
Zhongmei Engineering Group		48,219,718
Zhongmei Engineering Group		47,777,768
Zhongmei Engineering Group		35,773,365
Und balance		12,973,576
<b>TOTAL</b>	<b>174,000,000</b>	<b>174,000,000</b>