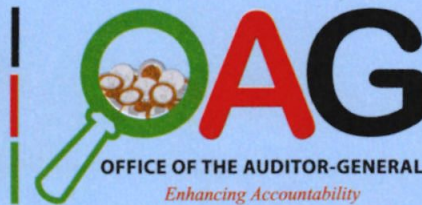


REPUBLIC OF KENYA



REPORT

PAPERS LAID	
DATE	7/10/2026
TABLED BY	M.L.
COMMITTEE	—
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OF

THE AUDITOR-GENERAL

PARLIAMENT
OF KENYA
LIBRARY

ON

**NAMBALE-MJINI-MAYENJE
WATER PROJECT GRANT/CREDIT
NUMBER 08W/BUSIA/BUSIA/97**

**FOR THE YEAR ENDED
30 JUNE, 2026**

**BUSIA WATER AND SEWERAGE
SERVICES COMPANY LIMITED**



PROJECT NAME: NAMBALE-MJINI-MAYENJE WATER PROJECT

**IMPLEMENTING ENTITY: BUSIA WATER & SEWERAGE SERVICES COMPANY
LIMITED**

PROJECT GRANT/CREDIT NUMBER: 08W/BUSIA/BUSIA/97

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2026

**Transitional International Public Sector Accounting Standards (IPSAS) Financial
Statements**

Nambale-Mjini-Mayenje Water Project
Annual Report and Financial Statements for the financial year ended June 30, 2026

Nambale-Mjini-Mayenje Water Project
Annual Report and Financial Statements for the financial year ended June 30, 2026

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1. Acronyms and Definition of Terms

BUWASSCO	Busia Water and Sewerage Services Company Limited
WSTF	Water Sector Trust Fund
PFM	Public Finance Management
IPSAS	International Public Sector Accounting Standards
PSASB	Public Sector Accounting Standards Board
NRW	Non -Revenue Water
SMART	Specific, Measurable, Achievable, Realistic and Time bound
VAT	Value Added Tax
WASREB	Water Services Regulatory Board.
Comparative FY	Financial year preceding the current financial year.

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project official name is Nambale-Mjini-Mayenje Water Project

Objective

Provision of clean and safe water to the target urban poor population.

Address

The project headquarters offices are in Busia Town, Busia County, Kenya.

The address of its registered office is:

P.O. Box 392-50400

Department Of Water, Irrigation, Environment, Natural Resources, Climate
Change & Energy compound

Equity Bank-Posta-Forest Road

Busia, Kenya.

Contacts: The following are the project contacts

P.O. Box: 392-50400

Telephone: (254) 796523854

E-mail: info@buwasco.co.ke

Website: www.buwasco.com

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	06/04/2022
Project End Date:	30/09/2026
Project Manager:	Mr Stephen Onyango
Project Sponsor:	Water Sector Trust Fund (WSTF)

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Department of Water, Irrigation Environment, Natural Resources, Climate Change and Energy.
Project number	08W/BUSIA/BUSIA/97
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ul style="list-style-type: none"> (i) Provision of clean and safe water to the target urban poor population. (ii) Improve metering ratio. (iii) Reduction of non-revenue water (NRW). (iv) Cost reduction strategy i.e., ensuring there is reduced electricity bills through solarization. (v) Increase revenue for the WSP. (vi) Increase hours of supply to the low-income areas. (vii) Reduce cases of waterborne diseases among people living in low-income areas. <p>Increase water coverage</p>
Summary of Project Strategies for achievement	The project management aims to achieve the goals through the following means:

Nambale-Mjini-Mayenje Water Project**Annual Report and Financial Statements for the financial year ended June 30, 2026**

of strategic goals	(i) Solarization of 11kW Showground borehole. (ii) 100% metering of all connections in the project area by installing 755 no.cold water meters. (iii)10km pipeline extension in the project area.
Other important background information of the project	The project is expected to benefit 25,000 people/residents in the project area in Busia County
Areas that the project was formed to intervene	The project was formed to intervene in the following problems/gaps: (i) Reduction of non-revenue water (ii) Increase water supply hours (iii)Improve reliability of water supply
Project duration	4 years, 5 months and 24 weeks

Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the project:

- (i) Co-operative Bank of Kenya
 Busia Branch.

2.5 Independent Auditor

The project is audited by the Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084 GPO 00100

Nairobi, Kenya

2.6 Roles and Responsibilities

List the different people who are 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.

Names	Title designation	Key qualification	Responsibilities
Collins Omondi Oduori	Managing Director	Masters' degree Ongoing	Administration
Henry Oyugi	Technical Manager	Bachelors' degree	Project supervision, oversee implementation of the project
Stephen Onyango	Project manager	Bachelors degree	Supervise and oversee execution of project works, prepare monthly project reports, budget management
Masinde Walter Stephen	Commercial Finance Manager	Bachelor's Degree	Facilitate the project team reporting and accounting in line with WSTF reporting template,

Nambale-Mjini-Mayenje Water Project

Annual Report and Financial Statements for the financial year ended June 30, 2026

			accounting for resources utilized, financial planning and analysis, budget management
--	--	--	--

2.7 Funding summary

The Project is for duration of 4 years, 5 months and 24 weeks from 6th April, 2022 to 30th September, 2026 with an approved budget of **Kshs. 18,640,492.50** as highlighted in the table below:

Nambale-Mjini-Mayenje Water Project**Annual Report and Financial Statements for the financial year ended June 30, 2026****A. Source of Funds****Project information and overall performance (continued)**

Below is the funding summary:

B. Source of Funds

Source of funds	Development Partner Commitment		Amount received to date – (30 th June 2026)		Undrawn balance to date	
	Development Partner currency	Kshs	Development Partner currency	Kshs	Development Partner currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
(i) Grant						
Water Sector Trust Fund	15,658,014	15,658,014	15,658,014	15,658,014	0	0
(ii)WSP (Busia Water and Sewerage Service Company Limited (VAT Contribution)	2,982,479	2,982,479	2,982,800	2,982,800	-321	-321
Total	18,640,493	18,640,493	18,640,814	18,640,814	-321	-321

Nambale-Mjini-Mayenje Water Project
Annual Report and Financial Statements for the financial year ended June 30, 2026

Project information and overall performance (continued)

C. Application of Funds

Application of funds	Amount received to date – (30 th June 2026)		Cumulative amount paid to date – (30 th June 2026)		Unutilised balance to date (30th June 2026)	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
Water Sector Trust Fund	15,658,014	15,658,014	15,253,188	15,253,188	404,825	404,825
(ii)WSP (Busia Water and Sewerage Service Company Limited (VAT Contribution)	2,982,800	2,982,800	2,387,800	2,387,800	0	0
Total	18,640,814	18,640,814	17,640,988	17,640,988	404,825	404,825

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

- i) Budget performance against actual amounts for current year and for cumulative to-date,
- ii) Physical progress based on outputs, outcomes, and impacts since project commencement,
- iii) Indicate the absorption rate for each year since the commencement of the project.
- iv) List the implementation challenges and recommended next steps.

2.9 Summary of Project Compliance:

- i) The project was fully compliant with the applicable laws and regulations and the terms and conditions in the financing agreement with the financing agency.

3. Statement of Performance against Project's Predetermined Objectives

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the project's agreement are to:

- a) Provision of clean and safe water to the target urban poor population
- b) Improve metering ratio.
- c) Reduction of non-revenue water (NRW).
- d) Cost reduction strategy i.e, ensuring there is reduced electricity bills through solarization.
- e) Increase revenue for the WSP.
- f) Increase hours of supply to the low-income areas.
- g) Reduce cases of waterborne diseases among people living in low-income areas.
- h) Increase water coverage

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.

Nambale-Mjini-Mayenje Water Project
Annual Report and Financial Statements for the financial year ended June 30, 2026

Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Nambale - Mjini-Mayenje Water Project	Provision of clean and safe water to the target urban poor population	Supply of clean water to the target beneficiaries	Target population now have access to clean water	Improved access to clean water
	Improve metering ratio	Increase number of metered customers	Number of metred customers increased	Reduction of non-revenue water
	Reduction of non-revenue water	Reduced non-revenue water	Percentage of non-revenue reduced	Overall deduction in non-revenue water
	Reduce cases of water borne diseases among people living in low-income areas	Improved hygiene and importance of safe drinking water	Reduced incidences of water borne related diseases	Cases of water borne related diseases reduced.

4. Environmental and Sustainability reporting

BUWASSCO exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver on our strategy. Below is a brief highlight of our activities that drive towards sustainability

1. Sustainability strategy and profile

The project articulates to sustain itself through operational sustainability in the following key areas of the project. First, Water Kiosk and Yard Taps. We ensure maintenance schedule of water kiosks are maintained, training the water kiosk operators to maintain quality service delivery, and monthly inspection of the water kiosks.

Line patrols, inspection and community sensitization and stakeholder involvement in water service delivery will be enhanced.

Busia Water and Sewerage Service Company Limited will also work closely with the National and County Government administration structures in dealing with unauthorised water vendors.

2. Environmental performance

Through the project, the borehole has been solarised. Solar is a renewable source of energy with near zero carbon emission to the environment. This plays a key role towards environmental protection.

The Company also seek to participate and contribute to a cleaner environment as per The National Environment Act of 2019 and ensure strict adherence to affluent discharge standards as prescribed by WASREB. This has since increased the Company's involvement in community welfare which includes clean up exercises especially in towns within its areas of jurisdiction and by so doing reduces impact on the environmental pollution. The company also actively gets involved in tree planting in its various Stations

3. Employee welfare

The success of the company is based on its people. The Company seeks to recruit, retain, reward and develop the best talent in the company. It recognizes the need to inculcate among our employees the culture of being sensitive to safety, security, society and the environment. This ensures that employees act with integrity and responsibility with the people they deal with and the environment they interact with. It trains employees to value

each other, provide necessary support systems for people with different needs and have a system in place that encourages acceptance of cultural diversity. Further, it continually seeks to improve its employees through structured programs for personal and professional development.

Regarding Occupational Health and Safety, The Company aim to ensure a safe and healthy working environment for all our employees and customers. The Company aims to comply with all relevant legislation, regulations and best practice guidelines recommended by national health and safety authorities. It also liaises with staff regarding policies and practices so that it can continue to maintain a healthy, safe and enjoyable work

4. Market place practices-

a) Responsible Supply chain and supplier relations-

The Company has always ensured that its suppliers are paid as quickly as possible to prevent lack of service delivery when goods and services are required urgently. The Company has also ensured that it enhances its transport section as a stop gap measure whenever its suppliers cannot deliver goods at its procurement stores.

b) Responsible ethical practices

Busia Water and Sewerage Company ensures that there is strict adherence to the Public Procurement and Assets Disposals Act of 2015 and The Competitions Act of 2012 in all its business transactions.

c) Regulatory impact assessment

Being a County Government entity, the Company only utilized public Barraza's and clinics to advertise its services to the public. However further efforts are being developed to ensure that branded tents, seats and chairs are used as a marketing strategy during these events

5. Community Engagements

In this project, the target beneficiary and other stakeholder have effectively been engaged through the project launch and subsequent Community barazas have been organized to facilitate proper community engagement.

5. Statement of Project Management responsibilities

The Managing Director Busia Water and Sewerage Company Limited and the Project Coordinator for Nambale-Mjini-Mayenje Water **project** 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, 2026.

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 (v) Making accounting estimates that are reasonable in the circumstances.

The Managing Director for Busia Water and Sewerage Company Limited and the Project Coordinator for Nambale-Mjini-Mayenje Water 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 Managing Director for Busia Water and Sewerage Company Limited and the Project Coordinator for Nambale-Mjini-Mayenje Water 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 June 30, 2026, and of the Project's financial position as at that date. The Managing Director for Busia Water and Sewerage Company Limited and the Project Coordinator for Nambale-Mjini-Mayenje Water 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.

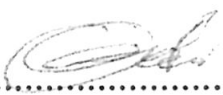
The Managing Director for Busia Water and Sewerage Company Limited and the Project Coordinator for Nambale-Mjini-Mayenje Water project confirm that the Project has

Nambale-Mjini-Mayenje WaterProject
Annual Report and Financial Statements for the financial year ended June 30, 2026

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 Managing Director for Busia Water and Sewerage Company Limited and the Project Coordinator for Nambale-Mjini-Mayenje Water project.


.....

Name: Collins Odouri
Managing Director


.....

Name: Stephen Onyango
Project Coordinator

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON NAMBALE-MJINI-MAYENJE WATER PROJECT GRANT/CREDIT NUMBER 08W/BUSIA/BUSIA/97 FOR THE YEAR ENDED 30 JUNE, 2026 - BUSIA WATER AND SEWERAGE SERVICES COMPANY LIMITED

PREAMBLE

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

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

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, Cap. 412A, and the Public Audit Act, Cap.412B. 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 transitional IPSAS financial statements of Nambale-

Report of the Auditor-General on Nambale-Mjini-Mayenje Water Project Grant/Credit Number 08W/Busia/Busia/97 for the year ended 30 June, 2026-Busia Water and Sewerage Services Company Limited

Mjini-Mayenje Water Project set out on pages 1 to 25, which comprise of the statement of financial position as at 30 June, 2026 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, Cap.412B. 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 transitional IPSAS financial statements present fairly, in all material respects, the financial position of Nambale-Mjini-Mayenje Water Project as at 30 June, 2026 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Nambale-Mjini-Mayenje Water Project Financing Contract Number 08W/BUSIA/BUSIA/97 dated 06 April, 2022, the Public Finance Management Act, Cap. 412A and The National Treasury and Economic Planning Circular No. 3 of 14 April, 2025.

Basis for Opinion

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects actual expenditure of Kshs.2,431,146 against actual receipts of Kshs.2,835,972, resulting in under-utilization of Kshs.404,826 or 14% of the budget.

In the circumstances, the under-utilization affected implementation of planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Information

The Management is responsible for the Other Information set out on pages iii to xvi which comprise of Project Information and Overall Performance, Statement of Performance Against the Project's Predetermined Objectives, Environmental and Sustainability Reporting, and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Incomplete Implementation of Water Supply Project

The statement of financial position and Note 11 to the financial statements reflect property, plant and equipment balance of Kshs.7,580,402 which relates to net book value of certified works. Records provided for audit review indicated that the contract was awarded to three contractors at total contract sum of Kshs.18,640,493 with a start date of 06 April, 2022 and end date of 30 September, 2026. Further, the three (3) contractors were each awarded a component entailing supply, delivery and installation of water meters (Kshs.5,803,251), solarization of showground borehole (Kshs.2,800,000) and pipeline extension works and installation of elevated water tank (Kshs.6,798,300), all of which had been fully paid as at 30 June, 2026. In addition, Kshs.3,238,942 was spent on administrative expenses and stakeholder fora.

Physical inspection of the project carried out on 26 August, 2026 revealed that supply and delivery of water meters, solarization of borehole and pipeline extension, and

installation of elevated tank had been completed. However, the installed elevated water tank at St. Joseph's Secondary School which was to receive water from the solar powered main borehole was not able to receive water as the connecting piping works was incomplete with approximately 1,750 meters of piping works and accessories estimated at a cost of Kshs.847,750 still required for water to reach the intended beneficiary communities. Management attributed the incomplete works to change of location of the elevated water tank from the initial location at Busia Stadium which required additional piping works. Although the relocation was approved by the Donor, no commitment was made for any resultant costs.

In the circumstances, value for money has not been achieved on Kshs.18,640,493 spent on the project.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, Cap. 412B and 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 controls, risk management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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 (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to sustain services, disclosing, as applicable, matters related to

sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, Cap. 412B.

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 comply 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 Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, Cap. 412B and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, Cap. 412B.

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 when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, Cap. 412B.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

29 September, 2026

Nambale-Mjini-Mayenje Water Project
Annual Report and Financial Statements for the financial year ended June 30, 2026

7. Statement of Financial Performance for the Year Ended 30th June 2026.

	Notes	FY 2025-2026	FY 2024-2025
		Kshs	Kshs
Revenue			
Revenue Transfers	6	2,129,627	5,964,958
Miscellaneous Revenue	7	-	880,000
Total revenue		2,129,627	6,844,958
Expenses			
Use of goods and services	8	228,940	164,040
Depreciation and amortization expense	9	702,574	499,205
Total expenses		931,514	663,245
Surplus/ (deficit)		1,198,112	6,181,713

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



Name: Collins Odouri
Managing Director



Name: Stephen Onyango
Project Coordinator



Name: Masinde Stephen
Project Accountant
 ICPAK Member No: 28602

Nambale-Mjini-Mayenje Water Project
Annual Report and Financial Statements for the financial year ended June 30, 2026

8. Statement of Financial Position as at 30th June 2026

	Note	FY 2025-2026	FY 2024-2025
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	10	404,825	706,345
Total Current Assets		404,825	706,345
Non-Current Assets			
Property, Plant and Equipment	11	7,580,402	5,740,855
Total Non- Current Assets		7,580,402	5,740,855
Total Assets (a)		7,985,227	6,447,200
Liabilities			
Retention payable		339,915	
Total Liabilities (b)		339,915	-
Net Assets (a-b)		7,645,312	6,447,200
Represented By:			
Accumulated Surplus		7,645,312	6,447,200
Total Net Assets		7,645,312	6,447,200

The financial statements were approved on 14/08/2026 and signed by:



Name: Collins Odouri
Managing Director



Name: Stephen Onyango
Project Coordinator



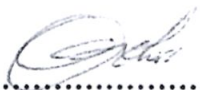
Name: Masinde Stephen
Project Accountant
ICPAK Member No: 28602

Nambale-Mjini-Mayenje Water Project
Annual Report and Financial Statements for the financial year ended June 30, 2026

9. Statement of Changes in Net Assets

Description	Accumulated Surplus	Revaluation Reserve	Total
As At 1st July 2024	265,487	-	265,487
Surplus/Deficit for the year	6,181,713	-	6,181,713
As at 30th June 2025	6,447,200	-	6,447,200
			-
As At 1st July 2025	6,447,200	-	6,447,200
Surplus/ deficit for the year	1,198,112	-	1,198,112
adjustment for previous year depreciation		-	-
As at June 30, 2026	7,645,312	-	7,645,312

The financial statements were approved on **14/08/2026** and signed by:



Name: Collins Odouri
Managing Director



Name: Stephen Onyango
Project Coordinator



Name: Masinde Stephen
Project Accountant
ICPAK Member No: 28602

10. Statement of Cashflow for the year ended 30th June 2026

Description	Note	FY 2025-2026	FY 2024-2025
		Kshs	Kshs
Cashflow from operating activities			
Receipts			
Revenue Transfers		2,129,627	5,964,958
Miscellaneous Revenue		-	880,000
Total receipts		2,129,627	6,844,958
Payments			
Use of goods and services		228,940	164,040
Total payments		228,940	164,040
Net cash flow from operating activities	13	1,900,687	6,680,918
Cashflow from investing activities			
Acquisition of non-financial assets		(2,202,206)	(6,240,060)
Net cash flows from investing activities		(2,202,206)	(6,240,060)
Cash flow from financing activities			
Net cash flow from financing activities		-	-
Net increase/Decrease in cash and cash equivalents		(301,519)	440,858
Cash and cash equivalent at 1st July 2024	10	706,345	265,487
Cash and cash equivalent at end June 2025	10	404,825	706,345

Nambale-Mjini-Mayenje Water Project
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11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2026

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget Carry Overs from previous periods	706,345		706,345	706,345	-	100
Receipts					-	
Revenue Transfers	2,129,627		2,129,627	2,129,627	-	100
Miscellaneous Revenue	-		-	-	-	
Total Receipts	2,835,971	-	2,835,971	2,835,971	-	100
Payments						
Use of goods and services	293,850		293,850	228,940	64,910	78
Certified Works	2,542,121		2,542,121	2,202,206	339,915	87
Total Payments	2,835,971	-	2,835,971	2,431,146	404,825	86
Surplus				404,825		

Budget notes

The budget for the year ended 30 June 2026 included Kshs.706,345 relating to funds carried forward from the previous financial period. The amount was available for implementation of activities during the current financial year and has therefore been separately disclosed in the Statement of Comparison of Budget and Actual Amounts. The carryover does not represent revenue recognized during the current financial year.

The company revenue transfer was below 100% The WSTF transfer the project outstanding amount. Utilization is below 90% this is due to amount with held for retention for work already delivered.

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	404,825
	Closing Cash and Cash Equivalent as per the statement of Cash flows	404,825

12. Notes to the Financial Statements

1. General Information

Nambale-Mjini-Mayenje Water entity is established by and derives its authority and accountability from Nambale-Mjini-Mayenje Water Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide clean, safe water and ensure clean environment by offering sewerage services.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The entity has taken advantage of the transitional provisions under IPSAS 33, and therefore these Second year financial statements are transitional financial statements.

These financial statements were authorized for issue by the accounting officer on August 14, 2026.

3. Adoption of New and Revised Standards

i) New and amended standards and interpretations in issue effective in the year ended 30 June 2026.

Standard	Effective date and impact:
IPSAS 43 Leases	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held	<p>Applicable 1st January 2025</p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at</p>

Standard	Effective date and impact:
for Sale and Discontinued Operations	<p>the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45- Property Plant and Equipment	<p>Applicable 1st January 2025</p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
IPSAS 46 Measurement	<p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>

ii) **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2026**

Standard	Effective date and impact:
IPSAS 47- Revenue	<p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an MDA shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48- Transfer Expenses	<p>Applicable 1st January 2026</p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49- Retirement Benefit Plans	<p>Applicable 1st January 2026</p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p>Applicable 1st January 2027</p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's

Standard	Effective date and impact:
	financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.
IPSAS 51: Tangible Natural Resources Held For Conservation	Applicable 1st January 2028 The objective of this standard is to establish the principles that an entity shall apply to report relevant information to users of financial statements about the nature, amounts, timing, and uncertainties arising from tangible natural resources held for conservation. A tangible natural resource held for conservation is a naturally occurring tangible asset that is managed to prevent its degradation.
IPSASB SRS 1: Climate Related Disclosures	Applicable 1st January 2028 This standard provides principles for an entity to address climate-related risks and opportunities arising from an entity's activities and operations. The standard provides disclosures on governance, strategy, risk management, and metrics and targets.

iii) Early adoption of standards

The Entity did not early adopt any new or amended standards in the financial year.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget information

The original budget for FY 2025/2026 was approved by the Board of Directors on 2/5/2025. Subsequent revisions or additional appropriations were not made to the approved budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented

on page 5 under section comparison of budget against actual performance of these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the item of property appropriately according to the acronyms you use in your financial statements plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. The entity depreciates assets fully the year of acquisition and throughout useful life using the following applicable rates;

Building and civil works	4%
Water infrastructure works(Civil works)	8%
Plant and Machinery	8%
Motor vehicle	25%
Computer and ICT equipment	33%
Office and fittings	8%

d) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

e) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

f) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

g) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Notes to the financial statements(cont)

Financial assets

Classification

The entity classifies its financial assets as subsequently measured at amortized cost, fair value through net assets/ equity, or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made an irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken

through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year-end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

h) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method.
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a

nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

i) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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.

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.

j) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. The entity does not maintain reserves.

Notes to the financial statements

k) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

l) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

m) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

n) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

o) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Principal and senior managers.

p) Service concession arrangements

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

q) 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.

r) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2026.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Nambale-Mjini-Mayenje Water Project
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Notes to the financial statements

6. Revenue Transfers

	FY 2025/26	FY 2024/25
	KShs	KShs
Conditional Transfers		
Transfers from Development partners	2,129,627	5,964,958
Total Conditional Transfers	2,129,627	5,964,958
Total Transfers for the Year	2,129,627	5,964,958

The purpose of the funding is to; provide safe and clean water to urban poor population; reduce non revenue water; improve metering ration and reduce water borne diseases to persons living in the low income areas.

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount moved to Capital fund	Total transfers FY2025-2026
	Kshs	Kshs	Kshs
Development Partner	2,129,627		2,129,627
Total	2,129,627		2,129,627

7. Miscellaneous revenue

Description	FY 2025/26	FY 2024/25
	Kshs	Kshs
VAT Contribution-BUWASSCO		880,000
Total		880,000

8. Use of Goods and Services

De scription	FY 2025/26	FY 2024/25
c	Kshs	Kshs
Bank charges	18,940	18,040
Communication, supplies and services	20,000	6,000
Fuel and lubricants	50,000	-
Stationery, Printing, advertising, and information supplies	20,000	40,000
Hospitality supplies and services	60,000	30,000
Mass media awareness and sentisatization	-	70,000
Project commissioning	60,000	-
Total	228,940	164,040

Nambale-Mjini-Mayenje Water Project
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9. Depreciation and Amortization expense

Description	FY 2025/26	FY 2024/25
	Kshs	Kshs
Property, Plant and Equipment	702,574	499,205
Total	702,574	499,205

10. Cash and Cash Equivalents

	FY 2025/26	FY 2024-2025
Description	Kshs	Kshs
Cash in Bank	404,825	706,345
Cash on hand		
Total Cash and Cash Equivalents	404,825	706,345

Project Bank Accounts

Details	FY 2025/26	FY 2024-2025
	Kshs	Kshs
Local Currency Accounts		
Co-operative Bank of Kenya [A/c N0: 01141242584501]	404,825	706,345
Total bank account balances	404,825	706,345

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Notes to the financial statements

11. Property, Plant and Equipment

Financial Year 2025/2026

	Motor vehicles	Furniture and fittings	ICT Equipment	Civil Works Water infrastructure	Capital Work in progress	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Depreciation rate	0.25	0.08	0.33	0.08		
As At 1 July 2025 (opening balances)				6,240,060		6,240,060
Additions				2,542,121		2,542,121
As at 30 th June 2026				8,782,181		8,782,181
Depreciation And Impairment						-
As At 1 July 2025				499,205		499,205
Depreciation charge for the year				702,574		702,574
As At 30 th June 2026				1,201,779		1,201,779
Net Book Values				7,580,402		7,580,402
Financial Year 2024/2025						
	Motor vehicles	Furniture and fittings	ICT Equipment	Civil Works Water infrastructure	Capital Work in progress	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Depreciation rate	0.25	0.08	0.33	0.08		
As At 1 July 2024 (opening balances)						
Additions				6,240,060		6,240,060
As at 30 th June 2025				6,240,060		6,240,060
Depreciation And Impairment						
As at 1 July 2025				499,205		499,205
Depreciation charge for the year				499,205		499,205
As At 30 th June 2025				5,740,855		5,740,855
Net Book Values						

Notes to the financial statements

12. Third-Party Deposits

Description	FY2025/2026		FY2024/2025	
	Kshs		Kshs	
Contractor's Retention(Retention payables)	339,915		-	
Total deposits	339,915		-	
Aging analysis: (Refundable deposits)	FY2025/2026	% of the Total	FY2024/2025	% of the Total
Under one year	339,915	%	-	%
		%	-	%
Total	339,915			

13. Cash Generated from Operations

Description	FY 2025/26	FY 2024/25
	Kshs	Kshs
Surplus/Deficit for the year	1,198,112	6,181,713
Adjusted for:		
Depreciation	702,574	499205
Net cash flow from operating activities	1,900,687	6,680,918

14. Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as of 30th June 2026 are not included in the Statement of Financial Assets since the line items are yet to be drawn into the Exchequer Account as a voted provision.

15. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the Entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

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

Other related parties include:

- i) The Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Board of Directors.

16. Events after the Reporting Period

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

17. Ultimate And Holding Entity

The Entity is a County Corporation under the department of Water, irrigation, and natural resources. Its ultimate parent is the Government of Kenya.

18. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Budgetary control and performance	The project was still ongoing by the time of audit, Last disbursement of 20% from WSTF had not been disbursed. The last and final disbursement has already been made in this financial year 2025/2026, which has now initiated the completion of the project as per contract.	Resolved	
2	Incomplete project implementation	The project is still ongoing. Therefore the observation made by the audit is true and by the end of project life cycle the entity will observe and rectify the inefficiencies. At the completion of the project the value for money will be achieved.	Resolved	

.....

Name: Collins Oduori
Managing Director

.....

Name: Stephen Onyango
Project Coordinator

Nambale-Mjini-Mayenje WaterProject (Project Name)
Annual Report and Financial Statements for the financial year ended June 30, 2026

Annex 2: Reconciliation of inter-entity transfers

	Project Name:			
	Break down of transfers from the State Department of			
a.	Government Counterpart funding			
		Bank Statement Date	Amount (Kshs)	
		Total		
B.	Direct payments			
		Bank Statement Date	Amount (Kshs)	
		Total		
C.	Others			
		Bank Statement Date	Amount (Kshs)	
		Total		
		Total (A+B+C)		

The entity did not have inter entity transfers during the FY 2025/2026

Project Coordinator

Busia Water and Sewerage Services Company

Sign 

Head of Accounting Unit

Managing Director

Sign 

Nambale-Mjini-Mayenje WaterProject
Annual Report and Financial Statements for the financial year ended June 30, 2026

Asset class	Historical Cost b/f (Kshs) Previous Year	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) Current Year
Infrastructure Assets- Water	6,240,060	2,542,121			8,782,181
Total	6,240,060	2,542,121			8,782,181

Nambale-Mjini-Mayenje WaterProject (Project Name)
Annual Report and Financial Statements for the financial year ended June 30, 2026

Annex 4: Other Support Documents

i. . Bank Reconciliations statement as at 30th June 2026

BUSIA WATER AND SEWERAGE SERVICES COMPANY			
BANK RECONCILIATION STATEMENT WSTF 8TH CALL PROJECT MABALE-MJINI-MAYENJE CO-OP A/C No.			
01141242584501 JUNE 2026			
CASH BOOK ADJUSTMENT STATEMENT			Kshs.
			554,945.05
Opening balance			0.00
Add: Deposits			
			554,945.05
Total Balance			
Less: Payments			100.00
10/6/2026 Bank charges			20.00
10/6/2026 Bank charges			150,000.00
12/6/2026 Henry Oyugi - Administration			
			150,120.00
Total Payments			
			404,825.05
Adjusted Cash Book Balance			
BANK RECONCILIATION STATEMENT			
Balance per bank Statement			404,825.05
Add	Uncredited bank lodgements	0.00	0.00
	Dishonoured chq	0.00	0.00
	Bank Errors	0.00	0.00
Less:	Unpresented Cheques		
			0.00
Balance per Adjusted Cash Book			404,825.05

DATE: 13TH JULY 2026

PREPARED BY: MICHAEL WAKEN
 Designation: ACCOUNTANT
 CHECKED BY: STEPHEN ONYANGO
 Designation: PROJECT MANAGER

Sign [Signature]

Sign [Signature]

Nambale-Mjini-Mayenje WaterProject
Annual Report and Financial Statements for the financial year ended June 30, 2026



ii. Certificate of bank balances as at 30th June 2026

8/12/26 3:46 PM

Dear Sir/Madam,

REF. CERTIFICATE OF BALANCES

We enclose herein Certificate of Balances and accounts information as requested by yourselves as of 30/06/2026.
Kindly note interest is included in the balances.

Yours faithfully

(BRANCH MANAGER)


Per _____
THE DO-OR-KAIVE BANK OF KENYA LTD
MUSIA BRANCH

Manager

Service Manager

Nambale-Mjini-Mayenje WaterProject

Annual Report and Financial Statements for the financial year ended June 30, 2026

CUSTOMER: BUSIA WATER AND SEWERAGE SERVICES COMPANY LIMITED

AT CLOSE OF BUSINESS ON 30/06/2026

1. Balances(include NIL balances) on all accounts including deposits:

01141242584501	- KES	404,825.05	Cr
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2. Details of loans, overdrafts and facilities granted, stating whether secured or not, and if secured, nature of security held :

NIL

3. The name of the account and date of closure in respect of any accounts which have been closed during the year ended on the above date :

NIL

4. Interest accrued not included in the above balances .

5. Bills receivable discounted :

6. Bills held for collection :

7. List of stocks, shares, title deeds or other securities held by us, whether free from any charge, lien or any other encumbrance, and if bearer securities in whose name they were registered :

8. Guarantees given to us to the client and by us on behalf of the Client

9.Right of set-off

10.Forward contracts for the purchase or sale of foreign exchange

11. Withholding tax certificates for all interest during the year

Nambale-Mjini-Mayenje WaterProject
Annual Report and Financial Statements for the financial year ended June 30, 2026

iii. Board of Survey Report



Ref: BUWASSCO/MD/FIN/Vol.1/003/2026
Date: 30th June 2026

TO:

1. Walter Stephen Masinde - Commercial & Finance Manager
2. Stephen Onyango - Project Manager
3. Henry Peter Oyugi - Technical Manager
4. Cynthia Akeke - Internal Auditor

**RE: APPOINTMENT TO THE BOARD OF SURVEY - VERIFICATION OF BANK
BALANCES AND BANK RECONCILIATION.**

Following the requirements for proper financial management, accountability and safeguarding of the Company's financial resources, you are hereby appointed as members of the BUWASSCO Board of Survey to undertake a verification and review of the Company's bank accounts and related financial records for the Financial Year 2025/2026.

The Board of Survey shall undertake the following activities:

1. Verify the bank account balances held by the Company as at 30th June 2026 and confirm the balances against the Company's accounting records.
2. Obtain official bank statements for all BUWASSCO bank accounts covering the period 1st July 2025 to 30th June 2026.
3. Compare the balances appearing in the bank statements with the corresponding balances in the Company's cash books and identify any discrepancies.
4. Review the bank reconciliation statements prepared for the period and verify the accuracy and completeness of the reconciling items.
5. Identify and document any unreconciled differences, unusual transactions, long-outstanding reconciling items or other discrepancies requiring management attention.
6. Confirm the existence and completeness of the Company's bank accounts and ensure that all accounts operated during the financial year are appropriately recorded in the Company's financial records.

Your cooperation and commitment in ensuring that the Company's financial records are accurate, complete and properly reconciled is expected.

Yours faithfully,

Collins Oduori
Managing Director
Busia Water and Sewerage Company Limited (BUWASSCO)

BUSIA
WATER & SEWERAGE SERVICES CO LTD

Date: 2nd July, 2026

1. Cash & Cash Equivalents

2. Findings of the Board

No variance identified.

No financial impact or associated risks observed

Strengthen internal controls

Maintain adherence to established financial procedures

We, the undersigned members of the Board of Survey, hereby certify that the above cash and cash equivalents have been verified, and the findings recorded truthfully.

Chairperson MASINDE WALTER STEPHEN Designation CFM Sign [Signature]
 Member HEWY PETER OTUGI Designation TM Sign [Signature]
 Member Charles Alumba Mole Designation Internal Auditor Sign [Signature]
 Member Steven Onyango Designation Project Manager Sign [Signature]

Date: 2ND JULY 2026

