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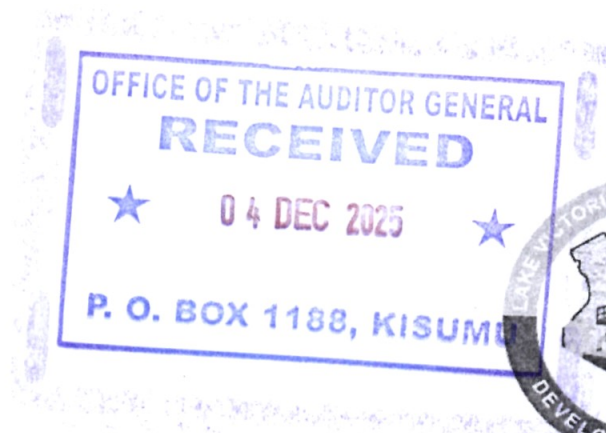
 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE:	10 MAR 2026
	DAY. TUESDAY
TABLED BY:	HON. DWEN BAYA, MP
CLERK-AT-TABLE:	CHRISTINE NDIRITU

THE AUDITOR-GENERAL

ON

**LAKE VICTORIA SOUTH WATER WORKS
DEVELOPMENT AGENCY**

**FOR THE YEAR ENDED
30 JUNE, 2025**



LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2025

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

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1. Acronyms and Definition of Key Terms

A: Acronyms

AFD	French Development Agency
AfDB	African Development Bank
AU	African Union
BOD	Board of Directors
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
GoK	Government of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KIWASCO	Kisumu Water & Sanitation Company
KEWASCO	Kericho Water & Sanitation Company
KfW	Kreditanstalt für Wiederaufbau
LVSWWDA	Lake Victoria South Water Works Development Agency
LVWATSAN	Lake Victoria Water and Sanitation
CEO	Chief Executive Officer
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
SDG	Sustainable Development Goals
MTP	Medium Term Planning
WB	World Bank

B: Definition of Key Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organization.

Comparative Year- Means the prior period.

2. Key Agency Information and Management

(a) Background information

The Lake Victoria South Water Works Development Agency, formerly Lake Victoria South Water Services Board was incorporated/ established under the Water Act, 2016 of Legal Notice No. 28 of 26th April 2019. The Agency is domiciled in Kenya and has no branches.

(b) Principal Activities

The mandate of the Lake Victoria South Water Works Development Agency is drawn from the Water Act, 2016 which are:

- i. Undertake the development, maintenance and management of National Public Waterworks to include:
 - a. Water storage;
 - b. Water works for bulk distribution and provision of water services;
 - c. Inter-basin water transfer facilities; and
 - d. Reservoirs for impounding surface run-off and for regulating stream flows to synchronize them with water demand patterns, which are of strategic or national importance.
- ii. Operate water works and provide bulk water services by entering into a bulk agreement with an investor in accordance with the provisions of the Public Private Partnerships Act, after conducting public participation in consultation with Regulatory Board and the relevant county government/ Water Service Providers whose area of jurisdiction the water works is located.
- iii. Operate water works and provide bulk water services as a bulk water services provider until such a time as the water works development agency transfers responsibility for the operation and management of water works to county government or water service provider in jurisdiction the water works is located; provided that a national public water works shall not be transferable to a county government;
- iv. Provide reserve capacity for purposes of providing water services where the Regulatory Board orders the transfer of water services functions from a defaulting WSP to another licensee;
- v. Provide technical services and capacity building to such County Government and WSPs; and
- vi. Provide to the Cabinet Secretary technical support in discharge of his or her functions under the constitution and the Water Act 2016.

Key Agency Information and Management (continued)

Vision Statement

Sustainable, Safe Water and Sanitation for all

Mission Statement

To deliver water and sanitation infrastructure and services through efficient utilization of resources using appropriate technology for social-economic development and environmental sustainability within the area of jurisdiction

Strategic Goals

The following Strategic Goals will guide the programmes, projects and priorities during the strategic plan period:

- i. Increase access to safe and reliable water within the area of jurisdiction.
- ii. Increase access to proper sanitation facilities within the area of jurisdiction.
- iii. Enhance funding for water and sanitation infrastructure development, maintenance and management.
- iv. Ensure effective and efficient operation, maintenance and management of infrastructure.
- v. Effective delivery of LVSWWDA's mandate; and
- vi. Implement climate change adaptation and mitigation strategies and promote sustainable water resource management.

Key Management

(c) The LVSWWDA day-to-day management is under the following key organs:

No	Designation	Name
1.	Chief Executive Officer	Ms Jackline Kemunto
2.	Senior Manager, Water Works Services	Eng Paul Omondi Agwanda
3.	Senior Manager Sanitation Servises	Eng. Daniel Oronje
4.	Senior Manager, Finance, Resource Mobilization & Investment	CPA John Francis Adongo
5.	Senior Manager, Research, Strategy & Performance Management	Ms. Miriam Siwa
6.	Senior Manager Corporate Services	Mr. Daniel Owino Odoyo
7.	Corporation Secretary & Manager Legal Services	CS. Pamphil Matsekhe Oundo
8.	Manager, Supplies Chain Management	Mr. Martin Ochieng Mayi
9.	Manager Internal Audit	CPA. Grace A. Abuto

Key Agency Information and Management (continued)

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

No	Designation	Name
1.	Chief Executive Officer	Ms Jackline Kemunto
2.	Senior Manager, Water Works Services	Eng Paul Omondi Agwanda
3.	Senior Manager, Sanitation Services	Eng Daniel Oranje
4.	Senior Manager, Finance, Resource Mobilization & Investment	CPA John Francis Adongo
5.	Senior Manager, Research, Strategy & Performance Management	Ms. Miriam Siwa
6.	Senior Manager Corporate Services	Mr. Daniel Owino Odoyo
7.	Corporation Secretary & Manager Legal Services	CS. Pamphil Matsekhe Oundo
8.	Manager, Supplies Chain Management	Mr. Martin Ochieng Mayi
9.	Manager Internal Audit	CPA. Grace A. Abuto

(e) Fiduciary Oversight Arrangements

1. Finance committee
2. Audit and Risk Committee
3. Parliament Accounts Committee
4. Parliament Investment Committee
5. Development Partners (KFW, AfDB, AFD, EIB & EU)

(f) Agency Headquarters

Lavictors House, off Ring Road Milimani
P. O. Box 3325- 40100
KISUMU, KENYA

(g) Agency Contacts

Telephone: (254) 020-2157233
Fax: (254)057-2025127
E-mail: info@lvswda.go.ke
Website: www.lvswda.go.ke

(h) Agency Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
NAIROBI, KENYA

Key Agency Information and Management (continued)

Other Banks

Kenya Commercial Bank Limited

Kisumu Branch
P O Box 17-40100

KISUMU, KENYA.

Co-operative Bank of Kenya

Kisumu Branch
P.O. Box 157-40100

KISUMU.

NCBA Kenya PLC

Kisumu Branch
P.O. Box 44599-00100

KISUMU

(i) Independent Auditor

Auditor-General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General

State Law Office and Department of Justice


Harambee Avenue


P.O. Box 40112

City Square 00200

Nairobi, Kenya

3. The Board of Directors



No	Directors	Details
1.	 <p data-bbox="268 936 746 1055">Mr. Dan Omino, OGW MBA, Strategic Management, (UM), Bsc. Meteorology (UoN).</p>	<p data-bbox="762 405 1321 443">DATE OF BIRTH: 24th December, 1959</p> <p data-bbox="762 488 1023 526">QUALIFICATIONS The Board Chairman is currently pursuing PHD at Kenyetta University. Masters of Business Administration, Strategic Management from University of Maastricht. Bachelor of Science, Meteorology, University of Nairobi. Diploma in Performance Management.</p> <p data-bbox="762 801 954 840">EXPERIENCE He is currently the Board Chairman having independently been appointed as such on 16th May, 2025 for a period of three (3) years. He previously served on the Board of Lake Victoria South Water Works Development Agency in the same capacity from 4th June, 2020 to 10th March, 2023. Under his leadership, the Agency developed, institutionalized and implemented the current Human Resource Instruments. He oversaw the Agency's improve in its annual Performance Score from Good in 2019/2020 to EXCELLENT in 2022/2023.</p> <p data-bbox="762 1384 1497 1736">He has vast experience in Leadership, corporate Governance and Performance Contracting. He is the lead consultant at Corplan Consultancy Firm where in respect to public sector, he is key facilitator for State Corporation Advisory Committee (SCAC). He's a former Vice Chairman of Council of Maseno University and former Member of Council of Kabianga University.</p>


No	Directors	Details
2.	 <p data-bbox="240 667 719 779">Mr. Cavince Odoyo Owidi B. Ed (Pure & Applied Mathematics, & IT(EU).</p>	<p data-bbox="751 197 1193 226">DATE OF BIRTH: 25TH APRIL, 1968</p> <p data-bbox="751 237 986 266">QUALIFICATIONS</p> <p data-bbox="751 277 1461 517">The former Board Chairman has pursued studies in Master's Degree in Corporate Management and Leadership from the University of Mexico State (Pending graduation). He holds Bachelor's Degree in Education (Pure and Applied Mathematics including IT from Egerton University, 1993, Advanced Level certificate from St. Mary's School, 1997 and Ordinary Level at Pehill High School in 1995.</p> <p data-bbox="751 734 922 763">EXPERIENCE</p> <p data-bbox="751 775 1461 1216">He is the immediate former Board Chairman having independently been appointed as such on 10th March, 2023 for three (3) months and subsequently, on 5th June, 2023 and served up to 15th May, 2025. He has served as Chairman, Board of Directors of Lake Basin Development Authority (LBDA) having served in that capacity from 2018 to 2022 where under his leadership, the Lake Basin Mall was opened, the Moribund Lake Basin Mill repaired, reopened and a modern rice mill purchased.</p> <p data-bbox="751 1227 1461 1384">It was also during his tenure in office that the Lake Victoria Hyacinth management was transferred from the Ministry of Environment to LBDA for better handling.</p> <p data-bbox="751 1395 1461 1921">He is the Managing Director, Motorlink Ltd, Local trading Company in the Transport and monitoring industry from 2012 to date. He was the Managing Director, Parco Africa Ltd, an international entrepreneurship and consulting company for foreign investors in Kenya from Nairobi/Dubai, 2009-2017. He worked as the Regional Partner/PBI International and Coordinator of regional operations involved in due -diligence for foreign companies from 2004-2006. He worked as the Principal, Horizon Academy from 1999-2004 where as the Head of School, he was charged with the day-to-day administration of the School and Personnel. He also worked as Senior Teacher, Anya Vedic GCE</p>


No	Directors	Details
		<p>School from 1996-1999 and Senior Teacher and Head of Staff administration at the school. Lastly, the Board Chairman worked as a Senior Teacher and Science Teacher for the British Curriculum offering CGHU School in Nairobi where he was the head of science department encompassing Mathematics, Physical Science and Computer Services.</p>
3.	<div data-bbox="268 680 699 1093" data-label="Image"> </div> <p data-bbox="268 1133 751 1285">Dr. Cecilia Ngetich, PhD, PhD, Technology (Tuk); MBA (HRM) (KU); Management, B.Ed, Botany & Zoology (KU).</p>	<p data-bbox="772 622 1171 654">DATE OF BIRTH: 05.03.1962</p> <p data-bbox="772 663 1031 694">QUALIFICATIONS</p> <p data-bbox="772 703 1487 1245">She is a Doctor of Technology (Honorarium) from Technical University of Kenya, 2016. She is currently pursuing PhD studies in Social Transformation (Governance) at Tangaza University, Kenya. She holds master's degree in business administration, Human Resource Management Option from Kenyatta University. She holds Bachelor of Education, Botany and Zoology (Biology), Pedagogy and Communication Technology Option, Mathematics Minor from Kenyatta University. She attended her A- Level education in Asumbi Girls High School from 1979-1980 and O'Level in Narok High School from 1975- 1978.</p> <p data-bbox="772 1294 960 1326">EXPERIENCE</p> <p data-bbox="772 1335 1487 2063">Dr. Ngetich was appointed on 1st September 2023 as an independent Board Member. She is now the Chair of Finance Committee of the Board having been appointed as such by the Board on 29th September 2023. She has previously in a similar capacity as the Chairperson on Meru National Polytechnic Council (2019-2022) and a member of the Board of Postal Corporation of Kenya (2008-2011). She is member of the Institute of Chartered Mediators and Conciliators and a member of Centre for Corporate Governance Network. She was the first Women Representative and member of Parliament for Bomet County between 2013 to 2017, during which she enacted the Kenya Engineering Technology Act 2016. Prior to that, she worked as Director at CEMASTEAM from 2009 – 2012, Senior Principal – Narok</p>



No	Directors	Details
		Teachers' Training College, 2009, Senior Principal Lecturer, Egoji TTC, 2008, among others. She has demonstrated strong leadership skills gained through experience and attendance of several leadership courses such as Strategic Leadership Development Program (SLDP) and Performance Management Course.
3.	 <p>Mr. John B. Momanyi, MBA, Strategic Management (JKUAT), BCom (Finance) (KU), M&E (KIM).</p>	<p>DATE OF BIRTH: 10TH MAY, 1965</p> <p>QUALIFICATIONS He holds executive MBA in Strategic Management from Jomo Kenyatta University of Agriculture & Technology (JKUAT). He holds bachelor's degree in commerce – Finance option from Kenyatta University and Certificate in Monitoring and Evaluation from Kenya Institute of Management (KIM). He is a holder of Diploma in Agriculture and Farm Management from Egerton College. He attained O- Level Certificate Division 1 from Litein Secondary School and C.P.E Certificate from Kapkatungur Primary.</p> <p>EXPERIENCE. Dir. Momanyi was appointed on 1st September 2023 as an independent Board Member. He is now the Chair of Audit and Risk Committee of the Board having been appointed as such by the Board on 29th September 2023. Prior to that, he worked as CECM, Finance, Lands & Water, Kisii County Government between 2017-2021, Senior Branch Manager, Kenya Commercial Bank – Kisii Branch, 2011- 2016, Senior Internal Auditor, Kenya Commercial Bank – Kisii Branch, 2007-2011, Internal Auditor, Kenya Commercial Bank – Head Office, 2001- 2007, Assistant Internal Auditor, Kenya Commercial Bank 1998- 2001, Cash Manager, Kenya Commercial Bank, 1997- 1998, Branch Manager, Kenya Commercial Bank, Keroka Satellite, 1995-1997, Manager current accounts & advances Kenya Commercial Bank – Ruiru Branch, 1990 – 1994 and General</p>

No	Directors	Details
		Banking Clerk, Kenya Commercial Bank, Head Office, 1983-1990.
4.	 <p>Ms. Millicent O. Olando BA; Counselling & Psychology (TU), Certificate of HTS (NASCOP), Dip. PR&C (KIM).</p>	<p>DATE OF BIRTH: 01.01.1964</p> <p>QUALIFICATIONS She holds bachelor's degree in counselling psychology from Tangaza University, 2016. She holds certificate of HIV Testing and Treatment Services (HTS) NASCOP, 2019, certificate in Trauma Counselling from Amani Counselling Centre, 2017, certificate in Trainer of trainers (TOT) from Amani Counselling Centre, 2016 and certificate in Supervision of Counselling from Amani Counselling Centre, 2017. She holds, diploma in Social Work & Community Development from Amani Counselling Centre, 2011. She undertook Basic Counselling Course from Amani Counselling Centre & Training Institute in 2012. She also holds certificate of Proficiency Course from College of Insurance, 2007, certificate of Public Relations & Customer Care from KIM, 2005, Diploma in front Office Management from KIM between 2002- 2003, certificate Course in Telephone & Reception from Premier College, 1996, KCE from Nyamira Girls Secondary School and CPE from Bar- Kanyango Primary School.</p> <p>EXPERIENCE Dir. Millicent was appointed on 1st September 2023 as an independent Board Member. She is currently the Chair of Governance and Compliance Committee of the Board having been appointed as such by the Board on 29th September 2023. Prior to that, she was a staff member at Mental Health Call Centre - Kenyatta Hospital - National Nurses Association Complex (NNAK) from 2019-2021, front Office Management/ Customer Service at Amani Counselling Centre & Training Institute from 2010-2019, Customer Care/Telephone Operations, at Skylark Africa Insurance Brokers Ltd from 1997-2009, Customer Care Desk at Grand Regency Hotel</p>

No	Directors	Details
		from 1994-1995 and Receptionist/ Front Office staff at Commercial Bank of Africa from 1990-1994.
5.	 <p>Mr. Jomo Maisori MA, Armed Conflict & Peace (UoN), BA, Sociology & History (UoN)</p>	<p>DATE OF BIRTH: 04.09.1979</p> <p>QUALIFICATIONS He holds Master of Arts, Armed Conflict and Peace Studies from the University of Nairobi, 2022 and Bachelor of Arts, Sociology and History from the University of Nairobi, 2005. He studied Computer Studies at Zetech College in 2006, KCSE at Cardinal Otunga High School between 1996-1999 and KCPE at Nyaroha Primary School from 1988-1995.</p> <p>EXPERIENCE Dir. Jomo was appointed on 1st September 2023 as an independent Board Member. He is now the Chair of Technical Committee of the Board having been appointed as such by the Board on 29th September 2023. Prior to that, he worked as Relationship Manager & Resource Mobilizer at Absa Bank Kenya PLC from 2018-2023, Human Resources Officer at Barclays Bank Kenya PLC from 2010- 2017 and Finance Officer at Barclays Bank Kenya PLC from 2007-2010.</p>
6.	 <p>Mr. Douglas M. Mutai MA, Public Administration & Management (MKU), BA; Government & History (UoN)</p>	<p>DATE OF BIRTH: 4TH JULY 1966</p> <p>QUALIFICATION He holds Master of Public Administration and Management from Mount Kenya University, 2015 and BA Government and History from University of Nairobi, 1990. He undertook the following professional courses; SLDP 2016, SMC 2006, APA 1999 and APTC 1995.</p> <p>EXPERIENCE He was appointed in June 2022 as alternate Director representing Principal Secretary, Ministry of Water Sanitation and Irrigation on the Board of LVSWWDA. He is currently the Acting Director of Administration at the Ministry of Water, Sanitation and Irrigation. He possesses experience in a public</p>

No	Directors	Details
		<p>administration career spanning to over 31 years. He served as a District Officer in the divisions of Western, Coast, Eastern, Nyanza and central provinces of Kenya from 1992 to 2019. He also served as District commissioner/Deputy County Commissioner in the following Districts sub counties between 2019 to 2020 Mtito Andei, Changamwe, Manga, Thika and Mbeere North and as Senior Deputy Secretary, Ministry of Water, Sanitation and irrigation (MWSI) from 2020 to February 2022. He is currently the Chairperson Ministerial Human Resource Advisory Committee at the MWSI.</p>
6.	 <p>MR. JOHN OLELA MA, Economics (UoN), BA; Economics (UoN), Dip. Mass Communication (IMC).</p>	<p>DATE OF BIRTH 26TH NOVEMBER, 1972.</p> <p>QUALIFICATIONS He holds Masters of Arts in Economics and Bachelor of Arts degree in Economics both from the University of Nairobi, a certificate in International Trade policy and negotiation from Adelaide University, Australia and a Post-graduate diploma in Mass Communication from Kenya Institute of Mass Communication.</p> <p>EXPERIENCE He was appointed on 15th January, 2025 on the Board of Lake Victoria South Water Works Development Agency as alternate Board Member representing the Principal Secretary, National Treasury, Mr. Olela. He is currently, the Director of Planning and Head of Central Planning and Project Monitoring Department of the National Treasury. He is a Career Civil Servant with over 27 years' experience having risen through the ranks from the position of Economist to the current position. He has also attended numerous short training courses both locally and abroad. He has previously been the Director in charge of Sustainable Development Goals (SDGs) coordination at the State Department for Economic Planning and also headed Economic Planning function in various Ministries including the Ministry of Environment, Climate Change and Forestry.</p>

No	Directors	Details
7.	 <p data-bbox="240 815 628 893">Mr. Joseph M. Mbatha MBA (UoN), BCom (UoN)</p>	<p data-bbox="754 192 1461 338">He has a wide experience in tourism planning and monitoring having worked as an economist in the Ministry of Tourism and Wildlife for several years.</p> <p data-bbox="754 349 1302 383">DATE OF BIRTH 29TH SEPTEMBER 1971.</p> <p data-bbox="754 394 1011 427">QUALIFICATIONS</p> <p data-bbox="754 439 1461 1111">He holds Masters of Business Administration and bachelor's degree in commerce from the University of Nairobi. He undertook the following professional training; Strategic Leadership Development Programme (S.L.D.P) No. 58/2012, Senior Management Course (S.M.C) No. 171/2010. He further trained in Local Government settings and Management of Kenya Civil Servants from the Chinese Academy of Governance. He holds a certificate in Corporate Governance from Institute of Directors – Kenya (IoD- K), August, 2021. He is an associate member of Kenya Institute of Management No.24519 & Public Relations Society of Kenya No. 020-2972.</p> <p data-bbox="754 1155 932 1189">EXPERIENCE</p> <p data-bbox="754 1200 1461 1901">He is the immediate former alternate Director representing the Cabinet Secretary, National Treasury and Planning on the Board of LVSWWDA having been appointed in June, 2019 and served up to 14th January 2025. He is currently the Senior Deputy Director, Intergovernmental Fiscal Relations Department and former Deputy Director, Intergovernmental Fiscal Relations Department. He worked as director of Administration, County Government of Machakos and Town Clerk, Town Council of Kangudo, Rumuruti, Municipal Council of Homa Bay. He also worked as County Treasurer, County Council of Meru, Bungoma, Isiolo and Ministry of Local Government and Town Treasurer, Municipal Council of Machakos.</p>


No	Directors	Details
8.	 <p>CPA. KENNEDY M. NDWIGA MBA (UoN), B. Acc., (CUEA)</p>	<p>DATE OF BIRTH: 19TH JULY 1977</p> <p>QUALIFICATIONS He holds MBA from the University of Nairobi. He is a member of ICPAK. He holds bachelor's degree in accounting from Catholic University of East Africa (CUEA) with main modules including Financial Accounting, Public Finance, Entrepreneurship, Business Research Methods and Ethics.</p> <p>EXPERIENCE He was appointed on 17th February 2025 on the Board of Lake Victoria South Water Works Development Agency as alternate Board Member representing Director General, Inspectorate of State Corporations. He currently serves as Deputy inspector, inspectorate of State Corporations. He has over 20 years vast experience in financial matters in the public sector. He has rich knowledge in corporate governance matters having obtained relevant training in the respective areas of study.</p>
9.	 <p>Dr. Chrisologus Makokha, PhD PhD, Strategic Management (UoN), MBA, Strategic Management (UoN), Bss (UoN).</p>	<p>DATE OF BIRTH: 10TH NOVEMBER 1969.</p> <p>He holds a PhD in Strategic Management, MBA (Strategic Management) and Bachelor of Science in Statistics. Certificate in Corporate Governance from Institute of Directors – Kenya (IoD- K).</p> <p>EXPERIENCE He was Senior Deputy Inspector-General (Corporations). He was appointed on the Board in October 2024 and was replaced in 17th January, 2025. Previous he was an Economist/Statistician, in the Ministry of Finance and Planning for 8 years, Inspector of State Corporations at the Inspectorate of State Corporations and Executive Office of the President for 15 years</p>


No	Directors	Details
10.	 <p data-bbox="255 672 742 862">Ms. Jackline Kemunto, MBA (CUEA), B. Com (Management)(CUEA), Dip. Business Adm (ENP), Cert. M&E (KIM).</p>	<p data-bbox="790 212 1252 257">DATE OF BIRTH 10TH JUNE 1974.</p> <p data-bbox="790 257 1045 291">QUALIFICATIONS</p> <p data-bbox="774 291 1492 604">She holds a master's degree in business administration and Bachelors' Commerce (Management Option) from the Catholic University of East Africa (CUEA). She also has Diploma in Business Administration from the Eldoret National Polytechnic and Certificate in Monitoring and Evaluation from the Kenya Institute of Management.</p> <p data-bbox="742 638 1484 1310">She undertook the following professional training; Strategic Leadership Development Programme (S.L.D.P) and Senior Management Course (SMC) both from the Kenya School of Government, Induction Course for County Government Chief Officers and Induction Training for County Government Chief Officers also from KSG, Performance Management Culture Course at the Kenya Institute of Management, Leadership and Governance Course (KUSCCO, 2013), National Sacco CEO's Annual Conference. Other trainings attended include Exploring Entrepreneurship Opportunities for Kenyan Youth at CUEA, Customer Service and Sales Culture and Business Etiquette.</p> <p data-bbox="742 1344 933 1377">EXPERIENCE</p> <p data-bbox="718 1377 1452 1937">She is the Chief Executive Officer since 8th December 2023. She previously worked as the County Executive Committee Member, Finance & Economic Planning and Chief Officer for Trade Tourism & Cooperative Development and Finance and Economic Planning in Nyamira County Government. She earlier worked as the Chief Executive Officer of Wakenya Pamoja Sacco between December 2012 and October 2013. Her other past work experiences include Relationship Manager at ABC Bank and Imperial Bank, Senior Relationship Manager at Equity Bank and Loans Officer Opportunity International.</p>



No	Directors	Details
11	 <p data-bbox="264 864 746 1032">CS. Pamphil M. Oundo, Esq Ad. LLM (Environmental Law) UoN, LLB (Moi Univ), Dip (KSL), CPS (K) KASNEB.</p>	<p data-bbox="746 331 1187 376">DATE OF BIRTH: 10TH MAY 1988</p> <p data-bbox="746 376 995 421">QUALIFICATIONS</p> <p data-bbox="746 421 1474 943">He holds master's degree in environmental law from the University of Nairobi. He holds Bachelor of Law Degree (LLB) from Moi University. He holds a Diploma in Law from Kenya School of Law. He is an Advocate of the High Court of Kenya and a Certified Public Secretary of Kenya, CPS (K). His other trainings and certification include An award of the Certificate of Corporate Governance from Institute of Directors - Kenya (IoD- K), Corporate Governance Trainings by KSG and Legal and Compliance Audit Training by Kenya School Law. He is a member of Law Society of Kenya (LSK) and East Africa Law Society (EALS).</p> <p data-bbox="746 943 948 987">EXPERIENCE</p> <p data-bbox="746 987 1522 1989">He has over ten (10) years' vast experience and expertise in the public sector's corporate governance, litigation, environmental matters, conveyancing, legal drafting, probate and administration, alternative dispute resolutions and others. He is currently the Corporation Secretary and Manager Legal Services with effect from 10th May 2021. He worked as the Legal officer and in other capacities at Lake Victoria North Water Works Development Agency from February 2015 – May, 2021. During the period, he was co-opted on the Board of Nzoia Water Services Company Ltd (now BWASCO Water and Sewerage PLC, and Busia Water and Sewerage Company Ltd to offer both legal and secretariat services to the Board and management. He has successfully handled several court matters in defence of the government and the Agency both at the lower and superior courts which have ultimately led not only to reduction of litigation in the Agency, but also considerable reduction of litigation and legal costs. He worked also in the firm of N.O Owino & Co. Advocates, 2013-2015, Ashioya & Co. Advocates, 2008-2009, and Naleep - Kenya, 2011 dealing with drafting, court attendance and dispute resolutions.</p>


4. Key Management Team


	Management	Details
1.	 <p>Ms. Jackline Kemunto, MBA (CUEA), B. Com (Management)(CUEA), Dip. Business Adm (ENP), Cert. M&E (KIM).</p>	<p>Ms. Jackline Kemunto is the Chief Executive Officer.</p> <p>Key Responsibilities: As the CEO the following were her key responsibilities:</p> <ul style="list-style-type: none"> • Provide strategic direction and leadership in line with the Agency's Strategic Plan. • Oversee implementation of corporate business plan and strategies based on the Corporation's business philosophy, mission, vision and core values. • Undertake prudent financial management and investment mandates by ensuring sound policies and practices are adopted for optimal utilization and returns. • Oversee optimal and effective operations of the Corporation's water infrastructure. • Develop and engage effective leadership teams to ensure excellent performance and effective succession planning at the Corporation. • Develop and strengthen networks and partnerships with the government, development partners and private sector to spearhead fundraising for project implementation and sustainability; and • Foster a conducive corporate culture that promotes strong ethical practices, good governance, employee productivity and compliance with applicable legal and regulatory requirements as stipulated in Mwongozo.
2.	 <p>Eng. Paul O. Agwanda, MSc. Eng (Water Resources Management), BTech., (Structural Eng.)</p>	<p>Eng. Paul Omondi Agwanda is the Senior Manager, Water Works Services.</p> <p>Key Responsibilities: As the Senior Manager Water Works Services Key Responsibilities:</p> <ul style="list-style-type: none"> • Coordinating all technical aspects related to Planning, design and implementation of Water and Sanitation services. • Ensuring design, construction and maintenance standards are adhered to and maintained. • Coordination of strategic and business plan for development of Infrastructure.

	Management	Details
		<ul style="list-style-type: none"> • Design and development of appropriate and cost-effective models for water appropriation, storage purification and distribution. • Development of strategies to reduce unaccounted for water (UFW), to achieve desired operational efficiency and improvement • Promoting, developing and contracting sustainable and viable water service providers in urban and rural schemes. • Ensure effective supervision and monitoring of urban and rural water service providers • Preparing, executing and enforcing compliance to water and sanitation service agreements. • Preparation of the statutory and other reports required by Government or development partners.
3.	 <p>Mr. Daniel O. Owino M.A (Media, Communication and Public Relations), M.A (Linguistics), B.ED (Arts), PGDHRM, PGDPR</p>	<p>Mr. Daniel O. Owino is the Senior Manager Corporate Services</p> <p>Key Responsibilities:</p> <ul style="list-style-type: none"> • Preparation of draft policies, strategies and guidelines for the management and improvement of human resources, administration, corporate social responsibility, corporate communications, and information and communication technology functions. • Coordinating and overseeing planning, budgeting, execution, monitoring and evaluation of performance of human resources, administrative, corporate social responsibility, and information and communication technology functions. • Facilitating proactive media engagement and public communication through various platforms under the direction of the Chief Executive Officer. • Formulating and implementing a framework for strategic human resources management and development. • Ensuring compliance with constitutional, legal, regulatory, guidelines and industry requirements in the execution of human resources,

	Management	Details
		administrative, corporate social responsibility, corporate communications, and information and communication technology functions. <ul style="list-style-type: none"> • Developing, promoting, implementing and reviewing a road map for institutionalization of a corporate culture that promotes realization of the institution's strategic goals and positioning in the public space. • Preparation of appropriate, meaningful, accurate and timely management reports to the Chief Executive Officer
4.	 <p>CPA. John Francis Adongo B. Com (Finance), CPA (K) CPS (K)</p>	<p>CPA. John Francis Adongo is Senior Manager Finance, Resource Mobilization and Investments</p> <p>Key Responsibilities: As the Senior Manager Finance, Resource Mobilization and Investment, he was responsible for:</p> <ul style="list-style-type: none"> • Formulation and implementation of sound financial policies, strategies and systems. • Ensuring adequate controls that support the financial operational efficiency and compliance. • Manage financial resources effectively and efficiently through the development of activity-based budgets and implementation of strict budgetary control measures. • Analysing the financial reports and advising Management on appropriate performance improvement strategies. • Work with different departments in evaluating the budget and ensuring that budgetary provisions are adhered to. • Managing all the internal and external financial reporting, budgeting and forecasting requirements. • Overseeing the production of timely and accurate monthly, quarterly and annual financial management accounts and other reports.

	Management	Details
5.	 <p>Ms. Miriam C. Siwa MA, B.ED (Arts), PGDPMDP, PGDHRM, DIP in Management.</p>	<p>Ms. Siwa is the Senior Manager, Research, Strategy and Performance Management.</p> <p>Key Responsibilities:</p> <ul style="list-style-type: none"> • Managing the overall business planning of the Board. • Providing strategic thinking and forward planning/forecasting • Co-ordination of Board strategic planning. • Monitoring and preparing reports on performance contracts. • Carrying out feasibility study and determining of viability of projects • Preparation of planning reports • Carrying out project planning, appraisal, evaluation and monitoring • Carrying out research and development activities • Carrying out overall institutional performance, monitoring and evaluation • Assist in preparing periodic reviews of programme implementation and updating of performance indicators, short- and long-term planning.
6.	 <p>CS. Pamphil M. Oundo, Esq Ad. LLM (Environmental Law) UoN, LLB (Moi Univ), Dip (KSL), CPS (K) KASNEB.</p>	<p>Mr. Pamphil M. Oundo is the Corporation Secretary and Manager Legal Services.</p> <p>Key Responsibilities:</p> <ul style="list-style-type: none"> • Provide guidance to the Board on their duties and responsibilities and on matters of governance. • Assist the Board in carrying out; Board induction and training, Updating the Board and Committee charters, Preparation of Board work plans, Board evaluation, Governance audit, Implementation of the Code of Conduct and Ethics. • Ensure the timely preparation and circulation of Board and Committee papers. • Take and keep committee minutes. • Maintain and update the register of conflicts of interest.

	Management	Details
		<ul style="list-style-type: none"> • Ensure that Board members are aware of all relevant laws affecting the organization. • Facilitate effective communication between the organization and the stakeholders. • Ensure that annual returns are promptly filed with the relevant authorities. • Except in exceptional circumstances, ensure that Board and Committee papers are circulated in advance of any meeting. • Coordinate litigations for the Board. • Provide guidance on governance and adherence to statutory obligations. • Prepare and ensure appropriate execution of all contracts. • Negotiate land acquisitions on behalf of the Board. • Ensure registration of various legal instruments in favour of the Board. • Be the custodian of all contracts and ownership documents. • Advising on the fixing of common seal outside registration. • Provide legal guidance on contractual and statutory obligations binding to the Organization and legal duties for the Board.
7.	 <p>Mr. Martin Ochieng' Mayi MBA. (Supply Chain Management), BA, PGD in Purchasing and Supply Chain Management</p>	<p>Mr. Martin Ochieng' Mayi is the Manager Supply Chain Management</p> <p>Key Responsibilities:</p> <ul style="list-style-type: none"> • Providing leadership in development and implementation of supply chain management and procurement policies, strategies and procedures. • Provide advisory/professional opinion on procurement matters to the Accounting officer (CEO) to ensure compliance with the Public Procurement and Asset Disposal Act 2015. • Ensuring compliance with procurement laws and regulations in the procurement of goods, works and services and disposal of assets in the Authority.

	Management	Details
		<ul style="list-style-type: none"> • Developing and coordinating the preparation of annual procurement and disposal plans, monitoring and reviewing their implementation. • Facilitating procurement/and purchase of services, materials, parts, supplies and equipment following established statutory procurement policies and procedures, and optimizing price, delivery and terms for the Authority. • Coordinating and facilitating the procurement process within Agency in liaison with respective departments. • Identifying potential suppliers and issues requests for quotations on need basis. • Analysing and advising the relevant committees appropriately on selection of suppliers, issue purchase orders; follow up and expedite as necessary. • Monitoring market trends and conditions and advise management on competitive pricing. • Performing source audits and facilitating prequalification by the relevant Committee. • Maintenance of optimal stock levels and carry out quarterly and annual stock take. • Providing secretariat services to the procurement committees which maybe constituted by the CEO.
8.	 <p>CPA. Grace Adhiambo Abuto B.Com (Finance), CPA (K), CPS (K).</p>	<p>CPA. Grace Adhiambo is the Manager Internal Audit</p> <p>Key Responsibilities:</p> <ul style="list-style-type: none"> • Making independent reviews of internal control systems and verification of operations and activities with a view to assessing economy, efficiency and effectiveness with which the organization's resources are utilized. • Evaluating and assessing risk management, control and governance in the division. • Conducting regular audit to ensure effectiveness and efficiency of operations, compliance with policies, procedures, statutory laws and the industry best practices.

	Management	Details
		<ul style="list-style-type: none"> • Periodically reviewing Agency's accounts and financial control systems to evaluate and advise on the reliability and integrity of financial information and the efficient and effective use of resources. • Providing recommendations and advice on improvements to the Agency's system and procedures. • Facilitating systems and financial audit by external auditors and follow up to ensure implementation of the recommendations. • Develop and spearhead the implementation of the anti-fraud and corruption strategy in accordance with Ethics and Anti-corruption Commission guidelines plus the Agency's policies, laws and regulations.

5. Chairman's Statement



This Annual Report and Financial Statements, covering the period up to 30th June 2025, showcases the Agency's strategic initiatives, operational milestones, and responsible use of financial resources. During the period, the Agency continued to adopt and embrace innovative approaches in development and management of water and sanitation infrastructure in its area of jurisdiction, which spans across the eight counties of Bomet, Homa Bay, Kericho, Kisii, Kisumu, Migori, Nyamira and Siaya. All the Agency activities contribute towards realization of Sustainable Development Goals (SDGs), the Vision 2030, Medium Term Plan (MTP) IV, the Bottom-Up Economic Transformative Agenda (BETA) and ensuring success in the implementation of the flagship projects of construction of affordable housing.

During the financial year, the Agency launched its 5th generation Strategic Plan 2023/24-2027/28 which serves as a blueprint for the Agency's operations. The Strategic Plan has six focus areas namely, water infrastructure, sanitation and sewerage infrastructure, financial resource mobilization, operation, maintenance and management of water and sanitation infrastructure, Institutional capacity and environmental sustainability and climate change adaptation / mitigation. The Agency, further, continued to forge strategic partnerships that ensured effective delivery of its mandate by engaging various stakeholders during project identification, design and implementation.

Despite the numerous achievements registered during the period, several challenges were also experienced including inadequate budgetary allocation, high cost of land acquisition and in some instances community resistance of projects especially in the sighting location for wastewater treatment plants. However, the Agency embraced forward planning and early land acquisition to mitigate some of these challenges and deployed Information Technology including the GIS platform to facilitate timely project sites identification and projects rollout.

In the execution of the Agency's broad mandate, the Board of Directors remained alive to its fiduciary duty in overseeing management of the Agency towards ensuring efficient and transparent utilization of resources.

I wish to express my sincere gratitude to my fellow directors for their invaluable support and contributions that made the Agency realise the success it did during the year. I would also like to thank the Management and staff of the Agency for their diligence and commitment, the County Governments within our area of jurisdiction, the Water Service Providers and other stakeholders for their collaborative efforts and support which was key in facilitating effective delivery of the Agency's mandate.



**MR. DAN OMINO, OGW
CHAIRPERSON**

6. Report of the Chief Executive Officer



The Lake Victoria South Water Works Development Agency's fiscal year ending June 30, 2025 financial statements demonstrate the Agency's sustained development in operations and financial success. The statements have been prepared in line with the International Public Sector Accounting Standards (IPSAS) and the Public Finance Management Act that require management to make decisions, estimates, and assumptions that have an impact on the application of accounting principles as well as the reported quantities of assets, liabilities, income, and costs. The statements provide an overview of the

Agency's activities and programmes over the one-year period ending 30th June 2025 and presents a synopsis on utilization of allocated funds during the period.

During the year, the Agency implemented several initiatives in line with its new Strategic Plan. One of the major projects was the Lake Victoria Water and Sanitation Program in Kisumu jointly financed by the Government of Kenya (GOK), French Development Agency (AFD), European Investment Bank (EIB) and European Union (EU) at a tune of 70 million Euros. The LVWATSAN project targeted rehabilitation of Dunga Water Treatment plant from 23,000m³/day to 45,000m³/day, Construction of 176km of water pipeline and 5 Boreholes in Maseno, Reduction of the Non-Revenue Water from 45% to 28%. Under Sanitation component, the project aims at construction of 4,500m³/day of Wastewater Treatment Plant at Otonglo, 107km of new Sewerage networks and 30 onsite sanitation facilities. The programme will also finance development of Water Resources and Wastewater Management Masterplans for the City of Kisumu.

During the reporting period, under the Construction Works Package 1 of the LVWATSAN programme which had been ongoing since December 2022 at a cost of KES 1.2 billion, the Agency managed to complete construction of 33kms of Sewer pipelines, 5kms of water pipelines and undertook 1700 sewer connections, bringing the works to near substantial completion at 80%. In the same period, the Agency also signed implementation contract for the LVWATSAN Package 2 Lot 1 which targets construction of 176km of water distribution network, reservoirs, pump stations within Kisumu City and extension of water pipeline in Maseno town and other Satellite towns at a cost of KES 2.0 billion. The actual construction works expected to roll out in August 2025.


In addition to these major projects financed jointly by the Government of the Republic of Kenya and the development partners, the Agency continued to implement several small to middle sized water and sanitation projects ideal for services provision especially in the sparsely populated rural areas, which form the bulk of the Agency's coverage area. During the financial year under review, the Agency completed community small projects spread across its service area which has significantly increased the population accessing water and sanitation services in the Agency's jurisdiction area.

Further to these, the Agency also rolled out several similar projects across its service area during the same period. These include Githuri Water Project, Kapseger Dam, Londiani Borehole, Bogambo Primary, Chebilat Boys Secondary School Borehole, Goitab Silibwet Water Pan, Kakimirai Primary School Borehole, Nyamwini Primary Borehole, Rodi -Ochuna Water Pan, Kiprengwe Primary School Borehole, Kegonga Cluster Water Project, Construction of Simbauti and Tindereti Dams, Construction of Macheo Secondary School Borehole, Construction of Boreholes at Bukna Primary School, Construction of Water Pan Within Angoro/Awasi /Onjiko Ward, Kibabet Water Project, Remanyengo Pan (Getwanga and Ikonge), Nami SDA Primary School Borehole, Omogomba Primary School Borehole and Construction of Tank For Sango Primary School. These projects are at different completion stages and majority are expected to be complete and operational in the following financial year.

Towards environmental sustainability and in compliance with the Presidential directive on National Forest Restoration Campaign targeted to increase forest coverage in the Country from 12.13 percent to 30 percent by the year 2032 by growing over 15 Billion trees, the Agency planted over 300,000 tree seedlings in Lambwe forest, a gazetted forest which the Agency has adopted for purposes of reforestation to promote sustainable ecological development, in addition to participation in a number of tree planting initiatives spearheaded by the Ministry of Water, Sanitation and Irrigation. To ensure compliance to the set environmental and social safeguards, the Agency undertook environmental and social impact assessment studies for all new projects it rollout during the same period.

Even as we progress in the implementation of these projects, the Agency continued to encounter some Challenges in the process including Community resistance to projects especially for Sewerage Treatment plants, Slow Tax Exemption process, Stringent financiers' conditions, Inadequate GOK Counterpart funding and low Funding levels. The Agency nonetheless continued to deploy various strategies to surmount these challenges and ensured the projects were implemented in the projected timelines.

I wish to take this opportunity to appreciate the Chairman of the Board of Directors, and all the members of the Board for the enormous support, stringent oversight and guidance extended to the management throughout the year. I further commend the management and staff of the Agency for their unwavering effort that ensured that the Agency remained steadfast in delivering its mandate effectively and efficiently during the period. I also extend my sincere gratitude to the Ministry of Water, Sanitation and Irrigation, National Treasury and our various development partners for financing our projects and programmes. Finally, I wish to thank all our other stakeholders for their critical contributions that facilitated continuous improvement of access to water and sanitation services in our area of jurisdiction.



Ms. Jackline Kemunto
CHIEF EXECUTIVE OFFICER

7. Statement of Performance against Predetermined Objectives for FY 2024/2025

Lake Victoria South Water Works Development Agency (LVSWWDA) has 6 No. Strategic key result areas and objectives within its Strategic Plan for the FY 2023/2024-2027/2028. The Strategic Issues are as follows.

- i. Inadequate access to safe and reliable water.
- ii. Inadequate safe sanitation services.
- iii. Inadequate Financial Resources.
- iv. Water and Sanitation Infrastructure Degradation and Inefficiency.
- v. Institutional Capacity, and
- vi. Climate Change and Water Resources Sustainability.

Lake Victoria South Water Works Development Agency develops its annual work plans based on the above Six strategic issues. Assessment of the Agency's performance against its annual work plan is done on a quarterly basis. The Agency achieved its performance targets set for the FY 2024/2025 period for its strategic KRA, as indicated in the table below:

Performance against Predetermined Objectives for FY 2024/2025

Strategic Key Issues	Strategic Objectives	Key Performance Indicator	Activities	Achievements
Inadequate access to safe and reliable water	Increase access to Safe and Reliable Water Supply Coverage from 58% to 70% by 2027/28 (FY 2024/2025 Target 60%)	% of total households with access to safe and reliable water	<ol style="list-style-type: none"> 1. Developed and expanded water supply production facilities in Siaya, Migori and Homa Bay counties 2. Increased Water Supply Connectivity in Siaya, Kisumu, Migori and Kisii/Nyamira Counties. 3. Developed various types of Community Water Projects in all the eight Counties. 4. Enhanced community capacity building for post operations and sustainability in all the eight counties. 5. Enhanced NRW reduction for increased operational efficiency in six counties. 6. Enhanced Capacity of Six WSPs on water treatment through provision of Laboratory equipment, billing software and vehicles. 7. Enhanced stakeholder engagement capacity development across all the eight counties. 	62%
Inadequate safe sanitation services.	Increase access to Safe and Proper Sanitation Services Coverage from 27% to 40% by 2027/28. (FY 2024/2025 Target 30%)	% of total households with access to safe and proper sanitation services	<ol style="list-style-type: none"> 1. Prioritized investment on sanitation in peri-urban and rural areas in each of the 2No. Counties to increase coverage 2. Developed and expanded sewerage systems and networks in the urban town of Kisumu and Homa Bay counties 3. Enhanced stakeholder engagement capacity in both offsite and onsite sanitation projects across all the eight counties 	27%
Inadequate Financial Resources.	Ensure Financial Sustainability of the Agency by mobilizing KShs 10 B every year	Funds mobilized in Kshs for infrastructure development	<ol style="list-style-type: none"> 1. Developed and submitted Project Concept Notes for identification of development partners 2. Ensured some level of compliance in loans repayments/servicing 	KShs.3B

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Strategic Key Issues	Strategic Objectives	Key Performance Indicator	Activities	Achievements
			3. Ensured Prudent Financial Planning and Management	
Water and Sanitation Infrastructure Degradation and Inefficiency	Strengthen the Maintenance, Management and Operations of Water Supply and Sanitation Infrastructure	Hours taken to fetch water (to and from)	<ol style="list-style-type: none"> 1. Initiated the process of bulk water system in Kericho/Bomet counties by the Agency. 2. Developed reserve capacity of the Agency staff for management of water and sanitation infrastructure and service provision 3. Enhanced the technical capacity of the WSPs and Water Departments of County Governments 4. Developed County Engagement Framework for water supply & sanitation services infrastructure management and maintenance 	Half an hour
Institutional capacity	Strengthen Agency Institutional Capacity	% level of improvement on achievement of employee Annual Targets (PMC)	<ol style="list-style-type: none"> 1. Undertook Training Needs Assessment to support enhanced human capacity 2. Placed senior staff on Performance Management Contracts 3. Purchased and delivered work equipment accessories which improved work environment 4. Ensured good corporate governance 5. Undertook Corporate planning and performance management 	10%
Climate Change and Water Resources Sustainability	Integrate Climate Change Adaptation/Mitigation, Social and Environmental Sustainability in Project planning, development and Maintenance.	% level of compliance to adherence to WHO standards (FY 2024-2025 100%)	<ol style="list-style-type: none"> 1. Undertook Corporate Social Responsibility Activities in Marginalized Areas, Sewerage Projects and Dams sites 2. Adopted proven new Technologies for Energy efficiency 	80%

8. Corporate Governance Statement

Lake Victoria South Water Works Development Agency is a corporate body committed to adhere and uphold the rule of law and in particular, values and principles of good corporate governance. The Board of Directors and Management regard corporate governance as pivotal to delivery of the Agency's mandate and are committed to ensure and sustain the highest standards of conduct and accountability in accordance with the best practice and principles of corporate governance. These principles are applied throughout all levels of the Agency.

Organization Structure

The Agency has a clearly defined organizational structure within which individual responsibilities are identified in relation to internal financial controls. The structure is complemented by regulations, policies and resolutions which guide management in transacting the Agency's business in compliance with the law. The structure also sets out clear separation of roles and responsibilities between the Board and Management.

Appointment and composition of the Board

The composition of the Board is as set out under the Water Act, 2016, Code of Conduct for State Corporations (Mwongozo), 2015 and the State Corporations Act, Cap 446. The Board's composition is expected to be ten (10) members which includes; An independent Non -Executive Chairperson, four (4) independent members, Chief Executive Officer, Cabinet Secretary National Treasury or a representative, Principal Secretary or a representative, the Attorney General or a representative and Inspector General State Corporations or a representative. The Appointment of the Board is by the President or the Cabinet Secretary, Ministry of Water Sanitation and Irrigation (MWSI) through Kenya Gazette. The tenure of service for the Board Chairman and members is five (5) years or a shorter period as may be determined by the appointing authority and in accordance with the Water Act, 2016, State Corporations Act Cap 446.

The appointment, reappointment and removal of the Board members including the Chairman is exclusively reserved for the Cabinet Secretary, MWSI in consultation with the Office of the President. The Board Chairman or members have no role in their appointment or reappointment but the Board Chairman, may advise or requests the appointing authority on the appointment or reappointment of Board members as part of succession planning. The appointment and re-appointment of Board members is based on competency, merit, skills and experience as may be determined by the appointing authority.

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Roles and Responsibilities of the Board

The roles and responsibilities of the Board are as set out in various legal instruments and policy directions including Code of Conduct for State Corporations. The main role of the Board is to provide strategic direction and leadership for the Agency. The Board receives appropriate and timely information regarding day-to-day operations of the Agency for effective oversight and provision of strategic direction on all aspects including but not limited to financial, technical, compliance and governance matters. The Board determines the Agency's strategic objectives, values, key policies and procedures in accordance with the law and best practice. By nature of its responsibility, the Board has delegated part of its roles and responsibilities to management the Chief Executive Officer who as a matter of law and policy, implements Board decisions as the accounting officer. The Board, however, maintains overall responsibility for the Agency's performance, compliance functions as well as monitoring of its operations and ensuring competent management of the affairs of the Agency.

Board Induction, trainings and development

The board underwent induction at Kenya School of Government and also attended two (2) training session organised by the Agency during the period. The purpose of the training was to review, familiarize and understand Board roles and responsibilities. The first training involved Board and management. The training covered key governance issues relevant to the Board and the Agency in general. The 2nd training was organized by the Institute of the internal auditors. This was meant to appreciate the Board's role in the internal controls and in particular the role of the Board, Audit Committee and management as regards zero fault audit.

Board and members' performance

Board and members self-evaluation was undertaken on 24th September 2024 for assessment of collective and individual performance of members and management. In terms of Corporate Performance, the Board obtained an average score of 98.35%. Individual member performance scores ranged between 97-99.07%.

Board Succession Planning

The Code of Conduct for State Corporations, 2015 (Mwongozo) as read with the Water Act, 2016 provides for succession Planning and Board size and or composition of Director of the Agency. Parameter 7.1 of Mwongozo Code of Conduct for State Corporation bestows upon the Board Chairman the responsibility to ensure a formal succession planning for the Board members while Section 66 (1) (b) of the Water Act, 2016 provides for appointment of Board members by the Cabinet Secretary, Ministry of Water Sanitation and Irrigation. During the year under review, the Board was fully and properly constituted.

Board Charter

The Board of Directors have in place, the approved Board Charter and Committee Terms of References which sets out clear roles and responsibilities of Board members individually and collectively. The Charter defines ethical issues and code of conduct expected of Board members. The Board has also put in place a code of conduct to regulate its relationship with management and other stakeholders. In addition, the Board has an approved Board Almanac which sets out its annual activities including but not limited to Board meetings, Board evaluation and Board training.

Board Committee

The Board has established Four (4) Board Committees pursuant to the law and regulations and with specific delegated roles and responsibilities set out in the Committee Terms of References and subsequent government circulars issued from time to time. The Four (4) Board Committees are.

Audit and Risk Committee- Being the mandatory committee mandated to provide assurance to the Board and management.

Technical Committee – Being a committee responsible for technical duties underpinning the mandate of the Agency.

Governance and Compliance Committee- Being a committee responsible for all aspects of governance including Human Resources and legal matters.

Finance Committee - Being responsible for all aspects of Finance, Procurement and Disposal of Aset

Board Self Evaluation

Board self - evaluation is undertaken annually under guidance of the State Corporations Advisory Committee (SCAC) and entails overall assessment of Board performance, Board Chairman, individual Board Members, Board Committees, Chief Executive Officer, Internal Auditor and Corporation Secretary. The Board Self - Evaluation was undertaken on 25th September 2024 and declared during the 2nd regular Board of Directors meeting held on 14th October 2024.

Board Meetings and Attendance

Board and Committee meetings are held as per the law, regulations and government guidelines issued from time to time. Regular and special meetings were approved by the Head of Public Services and Chief of Staff while extra ordinary meetings were approved by the Cabinet Secretary, Ministry of Water Sanitation and Irrigation. **Four (4)** Regular Board Meetings and **two (2)** Special Board Meetings were held in line with the approved Board ALMANAC. Board/committee meetings and associated activities were attended by members as tabulated hereinafter;

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Meetings	Dan Omimo, OGW, Board Chairman	Odoyo Owidi- former Board Chairman	John Olela – Rep. PS, MWSI	Joseph Mbatha – Former Rep. CS, NT&EP	Douglas Mutai – Rep. PS, SDW&S	Kennedy Ndwiga – Rep. IGS	Chris Makakha – Rep. IGS	Cecilia Ngelech – Member	Millicent Oduor – Member	Jomo Maisori – Member	John Momanyi- Member
Board Training on Effective Corporate Oversight held from 9 th to 13 th June 2025	√	X	√	X	√	√	X	√	√	√	√
Board & Management Continuous Development training from 23 rd to 27 th June, 2025	√	X	√	X	√	√	X	√	√	√	√
1 st Regular Board Meeting held on 12 th July, 2024		√	X	√	√	X	X	√	√	√	√
1 st Special Board Meeting held on 25 th September, 2024	X	√		√	√			√	√	√	√
2 nd Regular Board Meeting held on 14 th October, 2024	X	√	X	√	√			√	√	√	√
3 rd Regular Board Meeting held on 15 th January, 2025	X	√	X	√	√	X	√	√	√	√	√
4 th Regular Board Meeting held on 14 th April, 2025	X	√	√	X	√	√	X	√	√	√	√
2 nd Special Board meeting held on 20 th June, 2025	√	X	√	X	√	√	X	√	√	√	√
1 st Regular Audit and Risk Committee Meeting held on 2 nd July, 2024	X	X	X	X	√	X	X	X	X	√	√
1 st Regular Governance and Resources Committee held on 4 th July, 2024	X	X	X	√	√	X	X	√	√	X	X
1 st Regular Technical Committee Meeting held on 3 rd July, 2024	X	X	X	X	√	X	X	X	X	√	√
1 st Regular Finance Committee Meeting held on 5 th July, 2024	X	X	X	√	√	X	X	√	√	X	X
1 st Special Audit & Risk Committee Meeting Held on 23 rd September, 2024	X	X	X	√	√	X	X	X	X	√	√
2 nd Regular Audit & Risk Committee Meeting held on 10 th October, 2024	X	X	X	√	√	X	√	X	X	√	√
2 nd Regular Governance and Compliance Committee held on 4 th October, 2024	X	X	X	√	√	X	√	√	√	X	X
1 st Special Finance Committee Meeting Held on 24 th September, 2024	X	X	X	√	√	X	X	√	√	X	X
2 nd Regular Finance Committee Meeting held on 3 rd October, 2024	X	X	X	√	√	X	√	√	√	X	X
2 nd Regular Technical Committee held on 2 nd October, 2024	X	X	X	X	√	X	√	X	X	√	√
3 rd Regular Audit and Risk Committee Meeting held on 7 th January, 2025			X	√				X	X		

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	x	x			√	x	√			√	√
3 rd Governance and Compliance Committee meeting held on 9 th January, 2025	x	x	x	√	√	x	√	√	√	x	x
3 rd Finance Committee meeting held on 10 th Jan, 2025	x	x	x	√	√	x	√	√	√	x	x
3 rd Regular Technical Committee meeting held on 10 th January, 2024	x	x	x	√	√	x	√	x	x	√	√
4 th Regular Audit and Risk Committee meeting held on 7 th April, 2025	x	x	x	x	√	√	x	x	√	√	x
4 th Regular Technical Committee Meeting held on 8 th April, 2025	x	x	√	x	√	√	x	x	√	x	√
4 th Regular Governance and Compliance Committee meeting held on 9 th April, 2025	x	x	√	x	√	√	x	√	x	√	x
4 th Regular Finance Committee Meeting held on 10 th April 2025	x	x	√	x	√	√	x	√	x	x	√
2 nd Special Finance Committee Meeting held on 19 th June, 2024	x	x	√	x	√	√	x	√	x	x	√

NOTE: √ - Indicates attendance/present

X - Indicates that the director was.

- Not a member of the Board/Committee

Xa - Absent with apology

Xo - Without apology

Policy to Manage Conflict of interest

The Board has made it its policy obligation to declare conflict interest prior to commencement of all meetings as evidenced in the minutes and conflict of interest register. No member had interest that could deter or impede his /her transaction of Board business during the year under review.

Board Remuneration

Board remuneration is paid as per existing State Corporations Advisory Committees guidelines. The same covers sitting allowance, subsisting allowance, lunch allowance, transport reimbursements, airtime and honorary for Board Chairman. Remuneration was as per the approved budget, Board Almanac for FY 2024/2025 and are as captured in this report.

Ethics and Conduct

The Board has in place the Code of Conduct and Ethics developed as part of its deliberate effort to strengthen the Agency's core values. The code sets out standards that guide, bind and commit to the Board and all employees as part of the Agency's roadmap towards achievement of its strategic objectives. The ethical standards apply to all stakeholders. The standards concern, ethical responsibilities to customers, staff, Board and other members of the public.

Governance Audit

Governance Audit is undertaken on guidance of SCAC as per the approved governance Auditors. Whereas SCAC is yet to provide the list of approved governance auditors, the Agency undertakes quarterly legal and compliance audits and report the report thereof to SCAC upon consideration and approval by the Board.

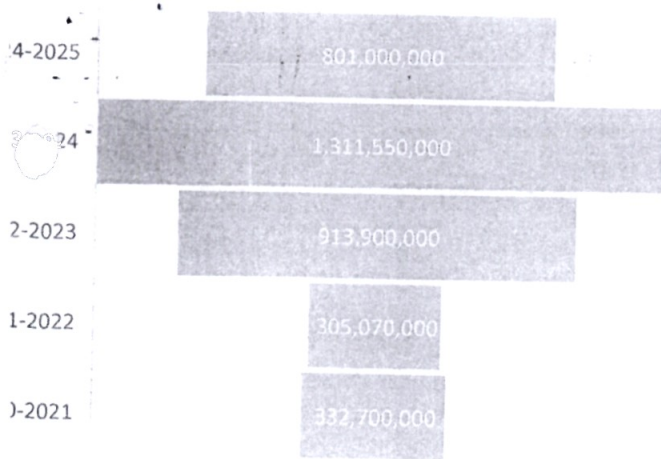
Communication policy

The Board has in place a communications Policy which provides a framework a clear and coordinated information flow from the Agency to its stakeholders. The policy is meant to maintain positive relationships with the stakeholders. The policy provides staff and Board of Directors with information on how communications should be done. It is meant to inform, educate and emphasize the Agency's strength in dealing with negative publicity in a positive manner.

Terms of reference (ToRs) for Board Committees

The Board Committees are constituted by the Board of Directors. The Committee's business is expressly spelt out in the respective Terms of Reference as approved by the Board. The ToRs sets out duties, responsibilities and procedures of meeting and committee business. The overall objective of the committee is to support the board's overall governance responsibilities and ensuring effective decision-making. Each committee has separate and distinct Terms of Reference.

Budget Allocation Trends



development projects for the year ended June 30, 2025. **Analysis**

Performance

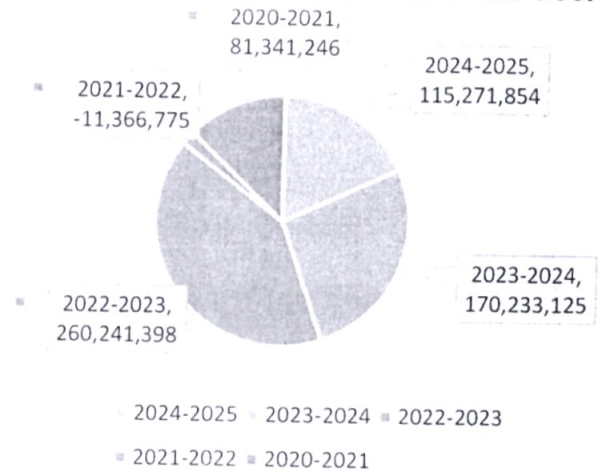
In line with its mandate of providing water sewerage and sanitation services, the Agency is implementing various development projects which includes Kisumu Water Management, Kenya Towns programme, Water Harvesting and other GOK funded projects like water harvesting conservation and cross county projects. The capital expenditure is funded through the Agency's financial resources and Gok funds.

Financial

During the period under review, the Agency received recurrent grants amounting to KShs. 183,600,000, development grants amounting to KShs. 582,000,000, Other Agency grants from AFD amounting to KShs. 201,292,560 were received and other receipts of KShs. 20,775,808 totalling to KShs. 987,668,368 which was an increase compared to the previous financial year receipts of KShs. 923,778,045. The Agency incurred a total expenditure of KShs. 1,384,120,257 resulting to a net deficit of KShs. (390,916,889). The detail of the expenditure is reflected in page one on statement of financial performance and the accompanying notes on pages 26 to 43. The revenues and expenditure cumulative in comparatives is represented below.

The Agency's trend analysis over the five-year period is shown below.

Surplus Trend Net of Non-cash cost



Revenue & Expenditure Trend



Key projects or investments decision

Key projects or investments decision

In the period under review the Agency undertook several water and sanitation projects with funding from both the development partners and GOK including namely:

- The Agency through KFW funding commenced the implementation of Support to Waste Water Management in Kericho, Kisii and Litein Towns for over KShs. 2Billion.
- The Board approved 42 number Project Concept Notes for proposals that will see the Agency achieve on major investment in the next five years.
- LVWATSAN Program in Kisumu: Carried out extensive community engagements at proposed Otonglo sewerage project as part of planned feasibility studies and strategic environmental impact assessment reports
- Kenya Towns Sustainable Water Supply Programme (jointly implemented with CRVWDA). Ugunja/Ukwala/Sega Cluster Water and Sanitation Project, Bomet – Mulot Water Supply Project, Nandi Hills Water Supply Project, Kilgoris – Lolgorian Water Supply Project, Migori- Isebania Last Mile Connectivity, Keroka Last Mile Connectivity and Siaya-Bondo Last Mile Connectivity are all at different stages of implementation.
- Fully funded Gok water supply projects; Kegonga Cluster Water Project, West Karachuonyo Water Project, Kabianga Water Project and Homa Bay Improvement Water Project. The Agency further implemented 47 high impact community water projects ranging from boreholes, water pans and roof rainwater harvesting.

Agency's compliance with statutory requirements,

The Agency complied with all legal provisions of the Acts which affects its operations for example the provisions of Public Finance Management Act, 2012, State Corporations Act, Tax laws among others. Court cases, Environmental and Social Impact Assessment reports are complied with while all contractors are NCA registered. PAYE, SHA, AHL and NSSF are up to date in terms of remittance and compliance.

Major risks facing the organisation,

The Agency Management has implemented the Enterprise Risk Management initiated by the development and implementation of the Enterprise Risk Management Framework Policy. Further to which, the Agency has a Risk Committee in place chaired by the CEO and Risk Champions appointed from each department/division. The Agency management has also developed Business Continuity Management Policy, due for implementation through development of Business Continuity Plan and Disaster Recovery Plan alongside. The Agency Risk and Mitigation Plan matrix is updated on a

quarterly basis at departmental/divisional level which is then consolidated to form a corporate risk register. The Agency is faced with the following risks: -

1. **Failure to monitor contracts in strict adherence with contract provisions:** Mismanagement or lack of oversight in contractual agreements, causing delays or non-compliance.
2. **Policy and the policy-implementation gap:** Discrepancies between policy requirements and its successful implementation.
3. **Implementation of Strategic Plan (2023-2027) by Departments/Divisions:** Poor alignment of efforts, hindering the achievement of strategic goals.
4. **Implementation of Annual Performance Contract (GoK):** Insufficient adherence to government performance contract obligations.
5. **Inadequate Risk Assurance System:** Lack of collaboration between Internal Audit and Risk Management resulting in an inadequate risk assurance system, exposing the organization to undetected or poorly managed risks.
6. **Effective Data Management:** Poor handling, storage, and use of data, leading to inefficiencies and inaccuracies.
7. **Maintenance, storage, and security of employee data:** Improper management of employee records, risking data breaches.
8. **Maintenance of occupational safety requirements:** Lack of proper upkeep of safety gear, compromising employee health and safety.
9. **Data protection breach:** Unauthorized access, loss, or disclosure of personal or sensitive data held by LVSWWDA, violating Kenya's Data Protection Act (2019).

11. Environmental and Sustainability Reporting

i) Sustainability strategy and profile

To guarantee sustainability of the program, the Agency has ensured engagement of stakeholders from inception of each of the projects. Through various forms of engagement, the stakeholders' concerns have been addressed during implementation, in line with the Agency's Stakeholder Engagement Policy. The technical designs adopted were all feasible with minimum operations and maintenance costs taking into account economic and social impacts. Conveyance of water by gravity has been adopted for all feasible scenarios to reduce costs of operations and maintenance. For each project within the program, the relevant Water Service Company staff were well trained on accompanying measures.

ii) Environmental performance

The Agency has an Environmental Management Policy in place that provides a holistic framework to guide the management of the environment and natural resources in the Agency area. It further ensures that the linkage between the environment and poverty reduction is integrated in all Agency processes and institutions in order to facilitate and realize sustainable development at all levels in the context of green economy enhancing social inclusion, improving human welfare and creating opportunities for employment and maintaining the healthy functioning ecosystem.

The objectives of this environmental policy are to: Ensure Environmental Governance and Compliance, Minimize Environmental Impacts, Promote Sustainable Water Resource Use, Promote safely managed sanitation services, To promote equitable, sustainable and safely managed sanitation services that reduces ecological footprint and negative impacts, Protect and Enhance Biodiversity, Address Climate Change: To integrate climate change considerations into planning and operations, mitigate greenhouse gas emissions, and adapt to the impacts of climate change on water resources, Foster Stakeholder Engagement and Transparency, Enhance Environmental Awareness and Capacity: Promote Continuous Improvement: Integrate Environmental Considerations into Decision-Making and Monitoring Environmental Compliance: During the reporting year, the Agency implemented the following strategies to comply with environmental compliance; - (to be considered as per specific project needs)

- Policy Dissemination and Communication
- Environmental and Social Impact Assessment (ESIA) and Environmental Audits
- Monitoring and Measurement
- Stakeholder Engagement and Public Participation
- Training and capacity building
- Emergency Preparedness and Response
- Auditing and review and/or Continuous improvement

iii) Employee welfare

The Agency has 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 affirmative actions, the policy addresses issues related to gender balance, persons with disability and consideration of the marginalised communities in all aspects of human resources dynamics.

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 work plans and the Government's performance contracting tool, employees set their targets and eventually evaluate them through annual appraisals. The evaluation enables employees of the Agency to be up skilled, helped or otherwise redeployed and up scaled.

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.

iv) Market place practices-

Efforts made by the Agency are:

(a) Responsible competition practice.

LVSWWDA carries out procurement and disposal of assets in strict conformity to the Public Procurement and Asset Disposal Act, 2016 and its attendant Regulations with its preferred procurement method being the Open Tender.

(b) Responsible Supply chain and supplier relations

LVSWWDA ensures prompt debriefing of suppliers concerning their tender results. All contractual obligations are honoured while maintaining cordial partnership with suppliers during contract execution.

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(c) Responsible marketing and advertisement

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.

(d) Product stewardship

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.

v) Corporate Social Responsibility / Community Engagements

During the year, LVSWWDA engaged in a number of corporate social responsibility activities which impacted immensely on the lives of the beneficiary communities. The CSR activities included:

a. Tree Planting

• Ministerial tree planting

Lake Victoria South Water Works Development Agency joined the Ministry of Water, Sanitation and Irrigation and other Water Sector Institutions in a week-long Ministerial Tree Planting exercise in Kirisia Forest, Samburu County. This was part of the National Restoration Campaign targeted to increase forest coverage in the Country from 12.13 percent to 30 percent by the year 2032 by growing over 15 Billion trees. Since the beginning of the week, over 12,000 seedlings were planted in the forest.



Ministerial Tree Planting exercise in Kirisia Forest, Samburu County

Lake Victoria South Water Works Development

Annual Report and Financial Statements for the year ended June 30, 2025.

The Cabinet Secretary, Ministry of Water, Sanitation & Irrigation Eng. Eric Mugaa also led a delegation of Government Agencies in planting of over 12,000 tree seedlings in Lambwe Forest, Homa Bay County on 4th December, 2024.



Cabinet Secretary, Ministry of Water, Sanitation & Irrigation Eng. Eric Mugaa led in tree planting at Lambwe Forest station



State Department of Water and Sanitation PS Julius Korir planting trees at Lambwe Forest Station

- **Lambwe Forest Restoration Programme**

In another tree planting event, the Staff of Lake Victoria South Water Works Development Agency undertook a mass tree planting exercise in Lambwe Forest on 23rd May, 2025. The Agency has adopted part of the Lambwe forest and continues to undertake tree planting exercises in the area towards its full reforestation. This is in line with the National Governance Initiative.



The Agency staff planting trees at Lambwe Forest

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Annual Report and Financial Statements for the year ended June 30, 2025.

b. Donation of Water Tanks

The Agency donated a total of 10 water tanks with a capacity of 10,000 liters to several public institutions in Homa Bay County. The event was graced by the Homa Bay County Women Representative Hon. Dr. Joyce Alieno (Bensouda) on the 23rd December, 2024 at Sero Primary School. Some of the beneficiaries of the water tanks donations included Sero Primary School, Orion Gate Community Water Project, Majiwa Primary School, Masakla Primary School, Nyangweso Market, Got Rabuur Primary School, Disii Primary School, Shauri Yako Primary School, Nyalkinyi Primary School and Akele Primary School.



Donated water tanks



Water tank donated to Akele Primary School in Homa Bay County

12: Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of the Agency's affairs.

i) Principal activities

The principal activities of the Agency are;

- i. Undertake the development, maintenance, and management of national public water works within our area of jurisdiction,
- ii. Own and manage water related assets developed through loans and handover to county authorities after repayments of development loans,
- iii. Collaboration with all stakeholders both within and outside water sector to mobilize finances and provide related social infrastructure,
- iv. Provide technical assistance and capacity building to county governments, water service providers and other institutions,
- v. Provide the Cabinet secretary in charge of water with technical assistance in the discharge of his/her functions.
- vi. Provide reserve capacity for purposes of providing water services where need arises.

ii) Results

The results of the Agency for the year ended June 30, 2025, are set out on page 1 to 6.

iii) Directors

Details of Board members who served during the year are shown on page vi. The appointment of Mr. Cavince Odoyo Owidi as Board Chairman was replaced on 16th May, 2025 and in his place Mr. Dan Omino. OGW appointed as the Board Chairman on even date. The representation of Inspector General, State Corporation on the Board of the Agency by Dr. Chris Makokha ceased with effect from 17th February, 2025 following the appointment of Mr. Kennedy Mureithi Ndwiga on even date. Similarly, the representation of Principal Secretary, National Treasury and Economic Planning on the Board of the Agency by Dir. Joseph Maingi Mbatha ceased with effect from 15th January, 2025 following the appointment of Mr. John Olela on even date.

iv) Auditors

The Auditor-General is responsible for the statutory audit of the Agency in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 by the Auditor General to carry out the audit of the Agency for the year/period ended June 30, 2025.

By Order of the Board

.....

CS. Pamphil M. Oundo, Esq Adv
Corporation Secretary/Secretary to the Board

13. Statement of Directors Responsibilities

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

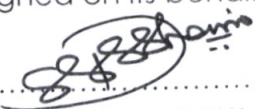
The Directors are responsible for the preparation and presentation of the Agency's financial statements, which give a true and fair view of the state of affairs of the Agency for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Agency; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Agency; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for the Agency's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) . The Directors are of the opinion that the Agency's financial statements give a true and fair view of the state of Agency's transactions during the financial year ended June 30, 2025, and of the Agency's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the Agency, which have been relied upon in the preparation of the Agency's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Agency will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Agency's financial statements were approved by the Board on _____ 2025 and signed on its behalf by:


.....
Mr. Dan Omino, OGW
Chairperson of the Board


.....
Ms Jackline Kemunto
Chief Executive Officer

REPUBLIC OF KENYA



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

REPORT OF THE AUDITOR-GENERAL ON LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY FOR THE YEAR ENDED 30 JUNE, 2025

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.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, 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, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Lake Victoria South Water Works Development Agency set out on pages 1 to 49, which comprise of the statement of financial position as at 30 June, 2025 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, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Lake Victoria South Water Works Development Agency at 30 June, 2025 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 Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0. Inaccuracies in the Financial Statements

The statement of financial performance and as disclosed in Note 14 to the financial statements reflects an amount of Kshs.49,571,011 in respect of contracted services, which differs with the ledger amount of Kshs.48,645,968, resulting in unreconciled variance of Kshs.925,043.

In addition, the statement of financial position reflects a balance of Kshs.174,520,214 in respect of cash and cash equivalents while the supporting ledgers and cash books reflect a balance of Kshs.172,314,300, resulting in unreconciled variance of Kshs.2,205,914.

In the circumstances, the accuracy and fair presentation of the financial statements could not be confirmed

2.0. Inaccuracies in the Trade and Other Payables Balance

The statement of financial position and as disclosed in Note 23 to the financial statements reflects an amount of Kshs.259,281,968 in respect of trade and other payables balance. However, review of the ledgers supporting GOK-funded projects amount of Kshs.236,264,992 disclosed in Note 15 revealed that a total of Kshs.3,698,881 was in respect of withholding taxes withheld by the Agency but not remitted to the Kenya Revenue Authority as provided under Section 35 of Income Tax Act (Cap 370). Out of this amount, Kshs.2,572,931 was not included in the list of trade and other payables.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.259,281,968 could not be confirmed.

3.0. Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 18 reflects cash and cash equivalent balance of Kshs.174,520,213. The audit revealed the following irregularities:

3.1. Double Payment on Retention Money to the Contractor

As reported in the internal audit report, the audit confirmed that a contractor was double paid retention money totalling Kshs.480,051. The overpayment on retention amount was not corrected in the cash book or recovered from contractor.

3.2. Unsupported Co-operative Gratuity Bank Balance

Note 18 to the financial statements reflects an amount of Kshs.20,745,240 that relates to co-operative gratuity. The following anomalies were noted:

- i. Certificate of bank balance for the bank account was not provided for audit review.
- ii. Review of the bank reconciliation statement for the month of June, 2025, revealed Kshs.267,582 as unpresented cheques and Kshs.2,565,752 receipts in cashbook not in bank statement. It was, however, noted that some of the items have been outstanding from as far back as March, 2024.

3.3. Dormant Bank Accounts

Two bank accounts: Kisumu LTAP 2 with a balance of Kshs.267,172 and KIWASCO Special Account with a balance of Kshs.643,515 had no movement in terms of figures compared to figures that were reported in the previous year, meaning that no activity took place during the year under review. No explanation was given as to why the accounts are dormant but still maintained by the Agency.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.172,314,299 could not be confirmed

4.0. Failure to Revalue Fully Depreciated Assets in Use and Disclose Obsolete Assets

The statement of financial position reflects property, plant and equipment balance of Kshs.21,296,041,273 and as disclosed in Note 21 to the financial statements. The balance comprises of the net book values of Kshs.828,267 for motor vehicles and cycles, Kshs.1,684,870 for plant machinery, Kshs.3,458,795 for furniture and fittings, Kshs.726,711 for office equipment and Kshs.9,694,976 for computers. These categories of assets include assets with a cost of Kshs.197,932,514, which were fully depreciated, but the assets were still in use. No reason was given for failure to have the assets revalued or their useful lives reviewed and incorporated in the fixed assets register.

In the circumstances, the accuracy of the property, plant and equipment balance of Kshs.21,296,041,273 as at 30 June, 2025 could not be confirmed.

5.0. Unsupported Employer Contribution to Pension Scheme

The statement of financial performance and as disclosed in Note 10 to the financial statements reflect an amount of Kshs.167,152,907 in respect to employees' cost. Included in this amount is Kshs.11,296,205, being employer contribution to pension scheme. The Scheme's rules require that the employer contribute 15% of basic salaries of the scheme members. The supporting schedule provided to support this amount does not indicate computation of employer contribution to Pension Fund and gratuity and the number of employees and the amount of their basic salaries used to compute the 15% pension contribution by the employer amounting to Kshs.11,296,205.

In the circumstances, the accuracy and completeness of employer pension contribution of Kshs.11,296,205 could not be confirmed.

6.0. Material Uncertainty Related to Going Concern

The statement of financial position reflects an amount of Kshs.528,786,995 relating to current assets and an amount of Kshs.2,797,464,517 relating to current liabilities, which results to a negative working capital of Kshs.2,268,677,522. In addition, the Agency continues to generate loss during the year. It made a deficit of Kshs.390,916,889 compared to the previous year's deficit of Kshs.247,451,352. This is a clear indication that the Agency is technically insolvent and its continued existence is dependent on the government and creditors.

In the circumstances, the going concern of the Agency is dependent on government and creditors.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Lake Victoria South Water Works Development Agency 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 qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amount reflects final budget and actual on comparable basis of Kshs.1,490,794,917 and Kshs.1,840,739,638 respectively, resulting in an over-funding of Kshs.349,944,721 or 44% of the budget. Similarly, the Agency expended Kshs.960,461,674 against actual revenue of Kshs.1,840,739,638 resulting in under-utilization of Kshs.880,277,964 or 48 % of available funds.

The under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the prior year's audit report, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Lake Victoria South Water Works Development Agency in 2024/2025 revealed issues detailed in **Appendix 1** which remained unresolved.

Other Information

The Directors are responsible for the Other Information set out on page v to xlix which comprises of Key Agency Information and Management, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Agency'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 conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters 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

1.0. Long Outstanding from Exchange Transactions

The statement of financial position reflects current portion of receivables from exchange transactions amounting to Kshs.152,974,223. It was however noted that current receivables from exchange transactions amounting to Kshs.152,974,223 have been outstanding for more than three (3) years. However, Management has not provided evidence of measures to show the steps it has taken to ensure full recovery of the outstanding amounts. This was contrary to Regulation 83 (g) of the Public Finance Management (National Government) Regulations, 2015 states that a sound cash management includes pursuing debtors with appropriate sensitivity and rigor to ensure that amounts receivable are collected and banked promptly.

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

2.0. Penalties Due to Loan Repayment Defaults

The statement of financial performance and as disclosed in Note 16 to the financial statements reflects finance costs amounting to Kshs.369,024,063. Included in the

amount is the interest charged on development partner loans and interest on loans from commercial banks amounting to Kshs.366,259,035 and Kshs.2,765,028 respectively. Review of the detailed loan schedule revealed that out of the total finance costs of Kshs.369,024,063, penalty surcharges amounted to Kshs.278,564,272 or 75% of total finance costs. This is attributable primarily due to repayment delays.

In the circumstances, and as previously reported the upward trend in penalties reflect deteriorating debt management and poses a threat to the Agency's financial sustainability and the value for money as result of avoidable penalties charged to the Agency cannot be confirmed

3.0. Failure to Submit Required Quarterly Reports on Framework Contracts

Review of procurement documents for the year revealed that Agency entered into frame work agreements with various contractors for the development, maintenance and rehabilitation of water and sanitation infrastructures for two (2) years under contract numbers tabulated below:

No.	Contract Number	Remarks
1	LVSWWDA/FA/2/2023-2024	Various contracts
2	LVSWWDA/FA/2/2023-2024	Various contracts
3	LVSWWDA/FA/3/2023-2024	Various contracts
4	LVSWWDA/FA/4/2023-2024	Various contracts
5	LVSWWDA/FA/5/2023-2024	Various contracts
6	LVSWWDA/FA/6/2023-2024	Various contracts
7	LVSWWDA/FA/8/2023-2024	Various contracts
8	LVSWWDA/FA/9/2023-2024	Various contracts
9	LVSWWDA/FA/10/2023-2024	Various contracts
10	LVSWWDA/FA/11/2023-2024	Various contracts

No documentary evidence was provided to show that the head of the procurement function prepared and submitted to the accounting officer with a copy to the internal auditor quarterly reports detailing an analysis of projects procured through framework contracts including an analysis of procurement costs in relation to the prevailing market rates and any recommendations contrary to Regulation 134(3) Public Procurement and Asset Disposal Regulations, 2020 which states that the head of the procurement function shall prepare and submit to the accounting officer with a copy to the internal auditor quarterly reports detailing an analysis of items procured through framework contracts and these reports shall include an analysis of pattern of usage, procurement costs in relation to the prevailing market rates and any recommendations.

In the circumstances, Management breached the law

4.0. Drilling and Equipping of Boreholes

4.1. Dry Water Taps in Migori, Nyamira and Kisii

The statement of financial performance reflects grants and subsidies - GOK projects amounting to Kshs.541,089,615 as disclosed in Note 15 to the financial statements.

Review of procurement and payment records and field inspections revealed that four (4) boreholes and water supply projects in Migori, Nyamira, and Kisii counties with a combined expenditure of Kshs.24,858,431 are currently non-operational, denying the intended communities access to clean water. Despite full or substantial payments to contractors and completion certificates issued, site visits in June, 2025 confirmed that water taps at Maberu Primary School Borehole (Kshs.6,057,862), Alara Nyambija Catholic Church Borehole (Kshs.4,300,820), Isoge Water Supply Project (Kshs.8,465,222), and Ramasha Borehole Phase II (Kshs.6,034,527) were all dry and not serving the intended beneficiaries.

This contravenes Section 79(2)(b) of the Public Finance Management Act, 2012 which requires that public resources be used effectively and economically to deliver intended benefits.

In the circumstances, Management breached the law.

4.2. Dry Borehole- Drilling & Capping of Borehole at Kikimirai Central Primary School in Bomet

A company was contracted to carry out Kikimirai Borehole Water Project under Contract No: LVS/QT/104/23-24 at a contract sum of Kshs.2,223,650. The scope of work comprises of preliminary and general items, borehole drilling and development, 24 hours constant discharge test and water quality analysis. The total certified works paid as at the time of audit was Kshs.1,179,450 which includes Kshs.80,000 for test pumping and recovery measurements.

Field audit verification done on 18 June, 2025 revealed that the borehole was drilled and found dry. This therefore implies that no proper survey or testing was done to confirm the water production level before embarking on the project.

In the circumstances, there was no value for money spent on the borehole.

4.3. Boreholes Drilled but not Yet Equipped Due to Poor Budgeting Process

As previously reported, out of the six (6) boreholes, Kenya Forestry Borehole, Londiani Town Borehole, Bugo/Ainospet Borehole, Kiprengwe Borehole Kakrao Primary School Borehole and Maberu Primary School Borehole, that had been drilled but not yet equipped, only one, Maberu Primary School borehole was equipped during the year under review.

The remaining five (5) boreholes, which were drilled but remained unequipped, were implemented during the 2022/2023 and 2023/2024 financial years, with a cumulative cost of Kshs.11,096,020. This was contrary to Regulation 56 (1)(2) of Public Finance Management Regulations (National Government), 2015 which states that contracts imposing financial obligations in excess of one year may only be concluded by the accounting officer only if- (a) the accounting officer discloses all finalized and signed contracts by the beginning of a financial year; (b) they are budgeted for first before new projects are budgeted by the accounting officer of the national government entity.

During the year under review, Management approved the drilling of new boreholes despite the fact that previously drilled boreholes remained unequipped and unutilized, an indication that raises concerns over the regularity of the budgeting process. In addition, value for money may not have been realized, as the schools and surrounding communities are unable to access water as originally intended.

In the circumstances, Management was in breach of law.

4.4. Non-Operational Borehole at Siriba Dispensary

A borehole was drilled and subsequently equipped at Siriba Dispensary in previous financial years at a total cost of approximately Kshs.10,000,000, including Kshs.8,837,668 spent on equipping, civil, and building works. The project was completed on 31 May, 2022. Physical inspection and inspection for the financial year 2022/2023 conducted on 2 December, 2023 revealed that the borehole was not operational due to a malfunctioning pump. A follow-up on physical inspection during the month of June, 2025, one and a half years later, confirmed that the pump had not been repaired and the project therefore remained non-functional. This situation highlights a significant sustainability gap, as there appears to be no effective maintenance plan or budget provision to address breakdowns and keep the project operational.

In the circumstances, there was no value for money spent on the borehole.

5.0. Stalled Construction of Kasgunga Water Supply Project

The statement of financial performance reflects an amount of Kshs.541,089,615 in respect of grants and subsidies- GOK projects as disclosed in Note 15 of the financial statements. Review of the Kasgunga Water Supply project file revealed that the project was awarded to a local firm at a contract sum of Kshs.52,037,348. However, the date of project completion had elapsed. During the year under review, the contractor was paid Kshs.12,916,148, resulting in total payments made to the contractor since project inception to Kshs.21,001,589.60.

Further, Management did not provide payment voucher amounting to Kshs.12,916,148 and certificate of works paid for under this payment. A physical inspection conducted on 18 June, 2025 revealed that the project had stalled for over two (2) years, and the contractor was not on-site.

In addition, it was noted that the contractor had not been granted extension of the contract, an indication that the project timeline has not been formally adjusted and materials on-site valued at Kshs.6,302,439 have remained unused for over two years, increasing the risk of theft, damage or deterioration.

In the circumstances, both the contractor and the procuring entity failed to comply with their contractual obligations and the public may not get full value for the money spent on the project.

6.0. Stalled Construction of Rongo Water Supply Project

The Management awarded a contract to a Company for the Construction of Rongo Water Supply Project-Lot 1 under contract No. LVSWWDA/T/1/2021-2022 with the objectives to Improved Water Access and Supply for Rongo township area in Rongo

Constituency, Migori County at a contract sum of Kshs.171,062,428.19. The contractor took possession of the site on 7 June, 2022 for the executions of works and a commencement date of 14 June, 2022, a performance period of 18 months with a completion date of 14 December, 2023.

However, the audit confirmed slow progress of work as the project progress was estimated to be below 30%, whereas 100% of the contract period has elapsed. Although the slow progress was attributed to cash flow challenges, it is not satisfactorily explained why the Management continues awarding contracts before confirming availability of funds.

In the circumstances, both the contractor and the procuring entity failed to comply with their contractual obligations.

7.0. Non-Compliance with the National Cohesion and Integration Act, 2008

The staff bio data provided for audit review indicated that the Agency had eighty-one (81) permanent employees as at 31 March, 2025 out of which fifty (50) or 61% were from the dominant community in Kisumu County. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 that stipulates that no public establishment shall have more than one third of its staff from the same ethnic community.

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

8.0. Deficiencies in the Payroll System

Review of payroll reports established that the current module clumps all the deductions together on the master roll under other deductions therefore limiting verification and confirmation of monthly employee deductions. Similarly, the module also has other allowances clumped together making it impossible to identify the type of allowances from the payroll report. This was contrary to Section 7.7 of Guidelines on management of state corporations 2024 states that the remuneration system for a state corporation should ensure that the staff payroll is in sync with public service standards and integrated with Unified Payroll Management system (UPMS).

The payroll reports also lacks critical information like salary incremental month, date of entry into a post and date an employee was hired. Lack of such vital information would make it difficult to verify the accuracy and correctness of payroll reports.

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

9.0. Lack of Assets Disposal Plan for Grounded Motor Vehicles

The motor vehicle inventory records provided for audit review have thirty-five (35) grounded vehicles. Management has only disposed two (2) grounded vehicles out of the thirty-five (35). No reason was provided for failure to dispose off the grounded motor vehicles to prevent further loss arising from wear and tear and repairing of un serviceable vehicles. Failure to take action goes contrary to Regulation 176(1) of the Public Procurement and Assets Disposal Regulations, 2020 which requires the Accounting Officer of a procuring entity to ensure that an annual assets disposal plan is prepared of items declared as unserviceable, surplus, or obsolete, obsolescence stores, asset or equipment as set out under Section 53(4) of the Act.

In addition, review of motor vehicle records provided by the transport department revealed that the Agency did not have logbooks for (51) motor vehicles. Out of the fifty – one (51) motor vehicles, forty-two (42) were registered in the name of contractors some whose contracts had lapsed. This was contrary to Section 9 of the Traffic Act, Cap 403 that mandates that vehicle and logbook transfers must be initiated within 14 days of acquiring a motor vehicle.

Further, review of internal audit report on transport management revealed that the Agency had ten (10) logbooks for vehicles which the internal audit was not able to verify and trace their locations and whereabouts. The internal audit made a recommendation to the Management to fast track the location of the motor vehicles. Management has not provided evidence on the effort made to address the issue of the un-accounted motor vehicles.

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

10. Incomplete Assets Register

Review of the assets register provided for audit was incomplete and lacked critical details such as:

- i. Missing net book values for most assets, serial numbers for most assets, payment voucher numbers for most assets, assets conditions for all assets, tag numbers for most assets, specific current locations for all assets (it was generalized as head office, instead of specifying the locations), for some assets the depreciation and accumulated depreciation amounts were missing.
- ii. For example, under motor vehicles and motor cycles category; twenty-five (25) lacked both the chassis and engine numbers. Under the category for computer and ICT equipment; seventeen (17) lacked the serial numbers, model, net book values, current location and also the assets conditions were not captured. Lastly, under office equipment; fifty-six (56) assets did not have the net book values and serial numbers.
- iii. Further, it was observed that the Agency's assets were not tagged with unique identification numbers. An amount of Kshs.620,900 was advanced to various officers as facilitation to visit project sites to help in updating of the Agency's fixed assets register. However, at the time of audit in mid-June 2025, it was noted that the assets register was not yet updated. Thus, value for money for the Kshs.620,900 could not be confirmed.

In the circumstances, failure to maintain clear assets register may result into potential loss due to poor record keeping and oversight failure and failure to tag assets and to disclose the location makes it difficult to verify the existence and conditions of assets

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Unconfirmed Number of Vehicles owned by the Agency

Review of motor vehicle records provided by the transport department indicates that the number of motor vehicles owned by the agency was one hundred twenty-eight (128). However, a report done by the internal audit department on transport management in February, 2024 established that the number of vehicles owned by the Agency were two hundred seventy-four (274) according to logbooks in custody of the Agency. The Asset register maintained by the Agency has captured thirty-five (35) motor vehicles.

In the circumstances, the actual number of motor vehicles owned by the Agency and effectiveness of internal controls on management of motor vehicles could not be confirmed.

2. Placement of Internal Audit Unit in the Organization Structure

The approved staff establishment record for the Agency indicates that the Internal audit unit is headed by the manager and placed at grade three (3) in the organization structure. This is one grade below other heads of departments like sanitation works services, research strategy and performance management and finance which are headed by senior managers placed at grade two (2). Placement of internal audit head in a lower grade than other heads of departments is a critical issue that can undermine the effectiveness, independence and objectivity of the internal audit function.

A lower grade can signal a lack of importance placed on the internal audit function within the organization. This can lead to difficulties in ensuring audit recommendations are taken seriously and implemented. Further, review of staff biodata as at 31 March, 2025 indicated that the position of principal internal auditor is still vacant.

In the circumstances, Management is yet to make effort to address internal audit challenges.

3. Non-Functional Enterprise Resource Planning System (ERP)

As previously reported, the audit confirmed that the ERP system had not been functional for more than one and a half years due to the management's failure to renew the user departments' licensing fees. During the audit, it was noted that the management resorted to using Excel spreadsheets to process and store financial data and records. This method is prone to errors and data manipulation. As previously

indicated, the ERP Project Implementation Status Report confirmed that the system was handed over to users on 14 November, 2022, at a cost of Kshs.12,549,883. However, it was operational for only a short period approximately two (2) years before becoming inactive. The management also explained that budgetary constraints were the major reason for the failure to renew the user licensing fees.

In the circumstances, no value for money was achieved from the acquisition and usage of the ERP system.

4. Review of Quarterly Financial Reports- Non-Compliance with PSASB Reporting Template

During the year under review, it was noted that Management prepared quarterly financial performance reports. However, it was noted that the financial reports that were prepared by management did not conform with the quarterly financial reporting template that was issued by the Public Sector Accounting Standards Board on September, 2024. Management prepared the quarterly financial statements for three months for each quarter and not cumulatively as required. Further, Management also failed to submit the reports within fifteen days after the end of a quarter to the National Treasury as required by law.

In the circumstances, Management failed to adhere to the Financial Reporting Template prescribed by the Public Sector Accounting Standards Board.

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 the Management and Board of Directors

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 Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

The Board of Directors/Board of Management are responsible for overseeing the Agency's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards 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, 2015. 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, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 December, 2025


Appendix 1: Unresolved Prior Year Matters

No.	Financial Year	Audit Issue
1.	2023/2024	Failure to Capitalize WIP Completed
2.	2023/2024	Unsupported Prior Year Adjustments on Borrowings
3.	2023/2024	Long Outstanding Receivables from Exchange Transactions
4.	2023/2024	Cash and cash Equivalent
5.	2023/2024	Unsupported Adjustments to Accumulated Surplus
6.	2023/2024	Lack of Fixed Asset Register for Work in Progress
7.	2023/2024	Failure to Prepare Agency's Asset Disposal Plan
8.	2023/2024	Non-Compliance with the National Cohesion and Integration Act, 2018
9.	2023/2024	Finance Cost
10.	2023/2024	Failure to Collect Revenue from the Water Service Providers
11.	2023/2024	Unutilized Enterprise Resource Planning System (ERP)
12.	2023/2024	Construction of Otong'lo Riat Water Supply Project
13.	2023/2024	Rehabilitation of Lower Tito Water Pan
14.	2023/2024	Construction of Kasgunga Water Supply
15.	2023/2024	Borehole Drilled but not Equipped
16.	2023/2024	Lack of Documents for Motor Vehicles
17.	2023/2024	Non – Compliant Imprest Register


Lake Victoria South Water Works Development
Annual Report and Financial Statements for the year ended June 30, 2025.
15. Statement of Financial Performance for the year ended 30 June 2025

Details	Notes	2024-2025	2023-2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments entities	6	966,892,560	877,605,143
		966,892,560	877,605,143
Revenue from exchange transactions			
Rendering of services	7	2,342,286	1,329,386
Finance income	8	18,433,522	44,843,516
Total revenue		20,775,808	46,172,902
Total Revenue from both non-exchange and exchange transactions		987,668,368	923,778,045
Expenses			
Use of goods and services	9	166,556,488	168,243,718
Employee costs	10	167,152,907	149,158,483
Remuneration of directors	11	29,754,134	30,094,414
Depreciation and amortization	12	49,227,756	47,588,633
Repairs and maintenance	13	11,744,283	16,533,441
Contracted services	14	49,571,011	49,144,033
Grants and subsidies- GOK Projects	15	541,089,615	340,370,832
Finance costs	16	369,024,063	372,637,005
Total expenses		1,384,120,257	1,173,770,558
Other gains/(losses)			
Other receipts	17	5,535,000	2,541,161
Surplus before tax		(390,916,889)	(247,451,352)
Surplus/(deficit) for the period/year		(390,916,889)	(247,451,352)
Net(Deficit)/ Surplus for the year		(390,916,889)	(247,451,352)

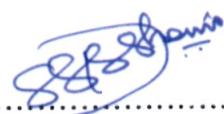
The notes set out on pages **23** to **46** form an integral part of these Financial Statements. The Financial Statements set out on pages **1** to **6** were signed on behalf of the Board of Directors by:


.....
Ms. Jackline Kemunto
Chief Executive Officer

Date


.....
CPA John F. Adongo
Head of Finance
ICPAK M/No:11066

Date


.....
Mr. Dan Omino, OGW
Chairman of the Board


Date


Lake Victoria South Water Works Development
Annual Report and Financial Statements for the year ended June 30, 2025.


15. Statement of Financial Position as at 30 June 2025

Details	No tes	2024-2025 (KShs)	2023-2024 (KShs)
Assets			
Current Assets			
Cash and cash equivalents	18	174,520,213	689,794,917
Current portion of receivables from exchange transactions	19	152,974,223	160,736,423
Current portion of receivables from non-exchange transactions	20	201,292,559	351,333,913
Total Current Assets		528,786,995	1,201,865,253
Non-Current Assets			
Property, plant and equipment	21	21,296,041,273	20,492,548,950
Intangible assets	22	1,160,092	1,450,115
Total Non- Current Assets		21,297,201,365	20,493,999,065
Total Assets		21,825,988,361	21,695,864,317
Liabilities			
Current Liabilities			
Trade and other payables	23	259,281,968	221,022,959
Current Provision	24	7,142,400	4,687,200
Current portion of borrowings	27	2,508,088,995	2,141,829,960
Employee benefit obligation	26	22,951,154	14,730,934
Total Current Liabilities		2,797,464,517	2,382,271,053
Non-Current Liabilities			
Borrowings	27	9,691,980,338	9,602,883,786
Total Non- Current Liabilities		9,691,980,338	9,602,883,786
Total Liabilities		12,489,444,855	11,985,154,840
Net assets		9,336,543,506	9,710,709,477
Accumulated surplus	35	(987,763,388)	238,832,640
Capital Fund	36	10,324,306,894	9,471,876,837
Total Net Assets		9,336,543,506	9,710,709,477
Total Net Assets and Liabilities		9,336,543,506	9,710,709,477

The financial statements set out on pages 23 to 46 were signed on behalf of the Board of Directors by:


.....
Ms. Jackline Kemunto
Chief Executive Officer


.....
CPA John F. Adongo
Head of Finance
ICPAK M/No:11066


.....
Mr. Dan Omino, OGW
Chairman of the Board

Date

Date

Lake Victoria South Water Works Development
 Annual Report and Financial Statements for the year ended June 30, 2025.
16. Statement of Changes in Net Assets for the year ended 30 June 2025

	notes	Retained Earnings (Accumulated surplus)	Capital Grants	Donor Grants	Total
As at July 1, 2023		1,252,036,826	5,147,207,247	3,712,480,928	10,111,725,001
Surplus/ Deficit for the year	35	(245,590,254)			(247,451,352)
Capital/Development grants received during the year	24	(612,188,662)	-	612,188,662	-
Prior period adjustment		(153,564,172)			(153,564,172)
As at June 30, 2024		240,693,738	5,147,207,247	4,324,669,590	9,710,709,477

As at July 1, 2024		240,693,738	5,147,207,247	4,324,669,590	9,712,570,575
Surplus/ Deficit for the year	35	(390,916,889)			(390,916,889)
Capital/Development grants received during the year	25	(837,540,236)	-	852,430,056	14,889,820
Prior period adjustment		-			-
As at June 30, 2025		(987,763,388)	5,147,207,247	5,177,099,647	9,336,543,506

Lake Victoria South Water Works Development
Annual Report and Financial Statements for the year ended June 30, 2025.

17. Statement of Cash Flows for the year ended 30 June 2025

Details	NS	2024-2025 (Kshs)	2023-2024 (Kshs)
Cash flows from operating activities			
Receipts			
Transfers from other governments entities	6	765,600,000	526,271,230
Rendering of services (Lab tests)	7	2,342,286	1,329,386
Finance income	8	18,433,522	44,843,516
Receipts from WSPs	19a	7,700,000	5,000,000
Transfers from GoK for accrued income realized	6b	351,333,913	439,750,000
All other receipts	17	5,000,000	2,500,000
Total Receipts		1,150,409,721	1,019,694,132
Payments			
Use of goods and services	9	134,441,188	129,855,402
Employee costs	10	167,152,907	149,158,483
Remuneration of directors	11	29,754,134	30,094,414
Repairs and maintenance	13	11,744,283	16,285,241
Contracted services	14	49,571,011	39,982,517
Grants and subsidies - GoK Projects	15	503,880,948	340,370,832
Release of Retention	23b	18,466,241	23,588,497
Interest Expense	16	2,765,028	6,747,288
Total Payments		917,775,740	736,082,673
NET PROFIT/LOSS		232,633,982	283,611,459
Net cash flows from/operating activities		232,633,982	283,611,459
Purchase of property, plant, equipment and intangible assets	25	(837,540,236)	(612,188,662)
Proceeds from sale of property, plant and Equipment	17	535,000	41,161
Net cash flows from/ investing activities		(837,005,236)	(612,147,501)
Net cash flows from /financing activities	27	89,096,552	-
Net increase/(decrease) in cash and cash equivalents		(515,274,703)	(328,536,043)
Cash and cash equivalents at 1 JULY	18	689,794,917	1,018,330,959
Cash and cash equivalents at 30 JUNE 23		174,520,213	689,794,917

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025

Details	Original budget (KShs) A	Adjustments (KShs) b	Final budget (KShs) C=(a+b)	Actual on comparable basis(KShs) d	Performance difference (KShs) e=(c-d)	% of utilization F=d/c
Budget carryovers from the previous year		689,794,917	689,794,917	689,794,917		
Transfers from other governments entities						
Internally Generated Revenue	35,400,000	-	35,400,000	26,310,808	9,089,192	74%
GoK Recurrent Grants	113,600,000	70,000,000	183,600,000	183,600,000	-	100%
Dev't grants for Recurrent Exp.	212,400,000	-	212,400,000	571,433,913	(359,033,913)	269%
GoK Development Grants	349,600,000	20,000,000	369,600,000	369,600,000	-	100%
Total receipts	711,000,000	90,000,000	1,490,794,917	1,840,739,638	(349,944,721)	144%
payments						
Use of goods and services	96,300,000	64,000,000	160,300,000	134,441,188	25,858,812	84%
Employee costs	170,000,000		170,000,000	167,152,907	2,847,093	98%
Remuneration of directors	30,000,000		30,000,000	29,754,134	245,866	99%
Repairs and maintenance	10,150,000		10,150,000	11,744,283	(1,594,283)	116%
Contracted services	54,000,000		54,000,000	49,571,011	4,428,989	92%
Finance Cost	950,000		950,000	2,765,028	(1,815,028)	291%
Gok projects-Water Pans and Boreholes	224,600,000		224,600,000	378,703,138	(154,103,138)	169%
Water Sector Development Program	7,000,000		7,000,000	23,943,508	(16,943,508)	342%
Support to Waste Water Programme	28,000,000		28,000,000	5,531,800	22,468,200	20%
Water Harvesting Program	36,000,000		36,000,000	68,680,819	(32,680,819)	191%
West Karachuonyo Water Supply	40,000,000		40,000,000	39,378,872	621,128	98%
Homa Bay Water Supply Improv't proj	14,000,000	26,000,000	40,000,000	48,794,986	(8,794,986)	122%
Total payments	711,000,000	90,000,000	801,000,000	960,461,674	(159,461,674)	
Capital Expenditure						
Kisumu water supply - LVWATSAN	2,900,000,000	(2,213,682,634)	686,317,366	716,573,376	(30,256,010)	104%
Water Sector Development Programme	324,000,000	(124,000,000)	200,000,000	112,965,441	87,034,560	56%
Support to Waste Water Programme	50,000,000	-	50,000,000	12,838,120	37,161,880	26%
Total Capital Expenditure			936,317,366	842,376,937	93,940,430	
Surplus/deficit			(246,522,449)	37,901,027	(284,423,477)	

Budget notes

Annual Report and Financial Statements for the year ended June 30, 2025.

1. **Internally Generated Revenue-** The Agency did not achieve the budget since the bank balance that were generating interest on account were fully absorbed during the year hence realized low interest/Revenue.
2. **Dev't grants for Recurrent Exp.-** The grants include receivables at the beginning of the year hence recognized as receipts.
3. **Repairs and maintenance-** The cost of vehicle repair increased since all the Vehicles services were procured from the dealers who over quality service and cost also slightly increased.
4. **Finance Cost-** The cost of withholding tax charge on interest income were not anticipated.
5. **Capital works-** The Actual Charge in capital works for Water Sector, Kisumu Lwatsan & Support to waste Water & Kericho projects) were higher due to multiyear project work plan and carry over valued works which were paid during the year.
6. **Water Harvesting Program-** The over expenditure is a result of budget cuts in the previous year which the Agency had to meet its contractual obligation.
7. *The Changes between the original and final budget is due to budget supplementary which increased the recurrent Budget allocation from KShs. 113.6Million to 183.6Million and reallocation of Homa Bay Water supply Improvement Budget.*

Budget Reconciliation

Description of Particulars	Amount in KShs
Actual Surplus Amounts as per the statement of Budget	37,901,027
Reason for Difference:	
Transactions paid by Donor Directly	125,803,561
Unpaid Gok projects	6,748,614
Closing Cash and Cash Equivalent as per the statement of Cash flows	174,520,214

19. Notes to the Financial Statements

1. General Information

Lake Victoria South Water Works Development Agency is established by and derives its authority and accountability from Water Act 2016. The Agency is wholly owned by the Government of Kenya and is domiciled in Kenya. The Agency's principal activity is Provision of water and sanitation infrastructure.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Agency's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Agency. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2025.**

There were no new and amended standards issued in the financial year.

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025**

Notes to the Financial Statements (Continued)

Standard	Effective date and impact:
<p>IPSAS 45: Property Plant and Equipment</p>	<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> <p><i>It will impact on the Land acquired for the development of the infrastructure.</i></p>
<p>IPSAS 46: Measurement</p>	<p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol 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>
<p>IPSAS 47: Revenue</p>	<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 Agency 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>

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<p>IPSAS 48: Transfer Expenses</p>	<p>Applicable 1st January 2026 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>
<p>IPSAS 49: Retirement Benefit Plans</p>	<p>Applicable 1st January 2026 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>

iii. Early adoption of standards

The Agency did not early – adopt any new or amended standards in the financial year or the Agency adopted the following standards early (state the standards, reason for early adoption and impact on Agency's financial statements.)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Taxes, Levies and fines

The Agency recognizes revenues from taxes, levies, and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Agency and the fair value of the asset can be measured reliably.

Notes to the financial statements (continued)

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 Agency 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 has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

The Agency recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Agency.

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.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Agency's right to receive payments is established.

Lake Victoria South Water Works Development
Annual Report and Financial Statements for the year ended June 30, 2025.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for the Current FY 2024-2025 was approved by the National Assembly on 15/07/2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Agency upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Agency recorded additional appropriations of KShs.90Million on the 2024-2025 budget following the governing body's approval. The Agency's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. 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 cash flows has been presented under section IV of these financial statements.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Agency operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Agency and the same taxation authority.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ii) When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over 40 year period. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e) 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 of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Agency 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Agency. 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 Agency 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 so as 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 Agency 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.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Agency. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

h) Research and development costs

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

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale.
- ii) Its intention to complete and its ability to use or sell the asset.
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset.
- v) 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.

i) 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 Agency does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one Agency and a financial liability or equity instrument of another Agency. At initial recognition, the Agency 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.

a) Financial assets

Classification of financial assets

The Agency classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the Agency'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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Financial Asset (Cont.)

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 Agency has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the Agency 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.

Lake Victoria South Water Works Development
Annual Report and Financial Statements for the year ended June 30, 2025.
Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

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.

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 Agency 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.

Impairment

The Agency 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 Agency recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in Notes.

b) Financial liabilities

Classification

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

j) 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.

k) Provisions

Provisions are recognized when the Agency has a present obligation 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 Agency 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

l) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The Agency recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the Agency will incur in fulfilling the present obligations represented by the liability.

m) Contingent liabilities

The Agency 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.

n) Contingent assets

The Agency 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 Agency 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.

o) Nature and purpose of reserves

The Agency creates and maintains reserves in terms of specific requirements. Agency to state the reserves maintained and appropriate policies adopted.

p) Changes in accounting policies and estimates

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

Summary of Significant Accounting Policies (Continued)

q) Employee benefits

Retirement benefit plans

The Agency provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Agency pays fixed contributions into a separate Agency (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.

r) 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.

s) 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

f) Related parties

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

u) Service concession arrangements

The Agency analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Agency 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 Agency also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

v) 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.

w) Comparative figures

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

x) 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, 2025.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Agency'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

Lake Victoria South Water Works Development
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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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. State all judgements, estimates and assumptions made:

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 Agency 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 Agency. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual value

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

- a) The condition of the asset based on the assessment of experts employed by the Agency.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) 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 40. 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.

Lake Victoria South Water Works Development
Annual Report and Financial Statements for the year ended June 30, 2025.
Notes to the Financial Statements (Continued)

6. Transfers from Other Government entities

a) Transfers from Ministries, Departments and Agencies (MDAs)

Details	Amount recognized to Statement of Financial performance.	Amount deferred under deferred income.	Amount recognised in capital fund.	Total transfers (FY 2024-2025)	Total transfers 2023-24
	KShs	KShs			
Ministry of Water Sanitation and Irrigation	765,600,000	-	-	752,776,779	621,599,996
Other funding Agencies	201,292,560	-	-	-	256,005,147
Total	966,892,560	-	-	752,776,779	877,605,143

b) Transfers from GoK for accrued income realized

Details	2024-2025	2023-2024
Revenue recognized in Performance	966,892,560	877,605,143
Actual Cash received during the year	765,600,000	526,271,230
Receivable at year end	201,292,560	351,333,913

7. Levies, Fines and Penalties

Description	2024-2025(Kshs)	2023-2024(Kshs)
Water quality (Laboratory charges)	2,342,286	1,329,386
Total revenue from the rendering of services	2,342,286	1,329,386

8. Finance Income

Description	2024-2025	2023-2024
	Kshs	Kshs
Cash Investments/Fixed Deposits Interest	18,433,522	44,843,516
Total finance income	18,433,522	44,843,516

Lake Victoria South Water Works Development
Annual Report and Financial Statements for the year ended June 30, 2025.
Notes to the Financial Statements (Continued)

9. Use of Goods and Services

Description	2024-2025(KShs)	2023-2024(KShs)
Office hospitality	2,218,558	1,547,847
Research and Development	449,099	
Project monitoring and Evaluation	2,332,750	2,036,100
Environmental Impact Assessment	469,000	5,598,711
ISO, Strategic planning & Performance C.	9,923,627	3,951,870
Project feasibility study	14,241,464	13,417,648
Project Inspection and Acceptance	5,418,650	3,954,800
Resource Mobilization	5,685,010	2,387,320
Investment Planning	3,641,430	3,300,400
Publicity and Advertisement	7,339,155	4,245,257
Project Tender	3,168,671	8,599,044
Fuel and oil	8,442,193	11,721,000
Water quality surveillance & Hygiene promotion	146,200	871,200
Hygiene Expenses	1,266,570	1,147,560
Electricity, Water & Conservancy Expense	1,427,893	1,453,725
Postage and Courier Services	373,947	442,923
Printing and stationery	7,064,479	13,833,678
Audit fee	2,455,200	2,455,200
Inventory / Stock taking/Tender expenses	4,902,800	1,817,000
Telephone & Internet	2,838,314	3,684,075
Office Security system	949,957	759,600
Corporate Social Responsibility	7,334,625	6,253,030
Office Equipment, furniture and Fittings	-	8,402,378
Professional Subscription	588,020	956,792
Training & Workshops	16,762,913	12,602,574
Travel, accommodation, subsistence	22,129,534	29,602,585
Bank Charges	528,254	481,831
Workshop, Stakeholder forums, Shows & Conferences	12,172,815	9,175,514
Annual accounts and Audit fees	8,063,000	3,512,047
Computer Equipment, networking, software & Maintenance	350,200	2,082,835
Valuation Audits & performance Audits	10,287,500	3,832,235
Periodicals & Newspapers	456,060	89,040
Risk Management Costs	3,128,600	4,027,900
	166,556,488	168,243,718

Notes to the Financial Statements (Continued)

10. Employee Cost

	2024-2025(Kshs)	2023-2024(Kshs)
Salaries and wages	106,975,141	94,113,212
Employer contr. to pension schemes/ gratuity	11,296,205	11,210,790
Commuter allowance	7,917,320	6,971,488
Housing allowance	29,893,820	27,094,000
Affordable Housing Levy	2,027,722	
Other employee related costs *	6,057,591	5,304,871
NITA	50,100	50,451
NSSF	2,935,009	4,413,670
Employee costs	167,152,908	149,158,483

11. Directors Remuneration

Description	2024-2025	2023-2024
	Kshs	Kshs
Chairman/Directors' Honoraria	1,020,000	1,020,000
Directors Remuneration	28,734,134	29,074,414
Total	29,754,134	30,094,414

12. Depreciation

Description	2024-2025	2023-2024
	Kshs	Kshs
Property, plant and equipment	48,937,733	47,226,104
Intangible assets	290,023	362,529
Total depreciation and amortization	49,227,756	47,588,633

13. Repairs and Maintenance

Description	2024-2025	2023-2024
	Kshs	Kshs
Building and compound	2,759,962	6,484,519
Electrical repairs	151,932	109,350
Repairs Vehicles	8,190,469	9,532,031
Computers and accessories	641,921	407,540
Total repairs and maintenance	11,744,283	16,533,441

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Notes to the Financial Statements (Continued)

14. Contracted Services

Description	2024-2025	2023-2024
	KShs	KShs
Security services	5,416,472	3,902,672
Cleaning services	2,800,574	2,770,858
Legal Services	4,692,846	13,800,056
Consultancies	8,823,019	5,906,129
Medical Insurance	26,504,150	19,630,163
Assets and Equipment Insurances	1,333,950	3,134,154
Total contracted services	49,571,011	49,144,033

15. Grants and Subsidies

	2024-2025	2023-2024
	Kshs	Kshs
GOK PROJECTS		
GOK/Projects, Drilling & Equipping of B/holes /Water for Schools	236,264,992	217,869,493
West Karachuonyo	39,378,872	13,355,300
Homabay Improvement Project	48,794,986	37,640,054
Kabanga Water Supply	50,614,920	313,799
Water Harvesting Program	68,680,819	60,143,607
Trilateral Project Infrastructure	5,531,800	11,048,579
Cheptembe projects	11,166,755	
Kobongo Projects	9,138,145	
Kegonga water supply	69,557,296	
Kibabet Water project	1,961,030	
Subtotal	541,089,615	340,370,832

16. Finance Costs

Description	2024-2025	2023-2024
	KShs	KShs
Interest charge on Development Partner Loans	366,259,035	365,889,717
Interest on loans from commercial banks	2,765,028	6,747,288
Total finance costs	369,024,063	372,637,005

17. Other Income

Description	2024-2025	2023-2024
Sale KAV Sale KBW 716 V	535,000	
Sale of used assets		41,161
LAP Loan Receipts	5,000,000	2,500,000
Total gain on sale of assets	5,535,000	2,541,161

Notes to the Financial Statements (Continued)

18. Cash and Cash Equivalents

Financial institution	Acct number	2024-2025	2023-2024
Bank accounts			KShs
Development	1104035464	76,062,407	46,355
Recurrent	1104034395	9,172,449	195,730
Retention	1211147312	27,657,121	816,283
SIDA - DANIDA	1104035197	-	2,677
KIDDP	1146676387	-	3,549,326
UNICEF	1116821648	-	165,760
CONSUMER DEPOSIT	1104036320	-	39,413
KISUMU LTAP 1	1211147177	3,981,458	15,483,098
KISUMU LTAP 2	1211147266	267,172	267,172
KWASCO/GSPECIAL ACCNT	1211147290	643,515	643,515
KISUMU LVWATSAN	1283193744	3,959,383	338,565
Cooperative Gratuity	1141295755601	22,951,154	13,729,430
LVWATSAN II	1141295755600	-	157
KISUMU LVWATSAN	1141871351900	8,834,957	6,232,486
NCBA LVWATSAN EIB	4734350017	20,990,598	648,284,950
Grand total		174,520,213	689,794,917

19. Receivables from Exchange Transactions

(a) Receivables from Exchange Transactions (Long-term)

Name	2024-2025 (Kshs)	Current received (Kshs)	2023-2024 (Kshs)
Kisumu Water and Sewerage Co. Ltd	3,600,538	5,500,000	9,100,538
Kericho Water and Sanitation Co. Ltd	57,147,041	2,200,000	59,347,041
Gusii Water and Sanitation Co. Ltd	19,121,847	-	19,121,847
Sibo Water and Sanitation Co. Ltd	35,083,930	-	35,083,930
Migori Water and Sanitation Co.	7,020,349	-	7,020,349
Homa Bay Water and Sanitation Co.	23,564,569	-	23,564,569
Bomet Water Company	7,435,949	-	7,435,949
	152,974,223	7,700,000	160,674,223
Staff Advances	-	-	62,200
Total receivable	152,974,223	7,700,000	160,736,423

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Annual Report and Financial Statements for the year ended June 30, 2025.
Notes to the Financial Statements (Continued)

b). Ageing analysis for Receivables from exchange transactions

Description	2024-2025 (KShs)		2023-2024 (KShs)	
	Current FY	total%	Comparative	Total %
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	152,974,223	100%	160,736,423	100%
Total (a+b)	152,974,223		160,736,423	

(c) Reconciliation for Impairment Allowance on Receivables from Exchange Transactions

Impairment allowance/ provision	2024-2025 Kshs	2023-2024 Kshs
At the beginning of the year	160,674,223	165,674,223
Additional provisions during the year	-	-
Recovered during the year	(7,700,000)	(5,000,000)
Written off during the year	-	-
At the end of the year	152,974,223	160,674,223

20. Receivables (Current portion)

Receivable	2024-2025(Kshs)	2023-2024(Kshs)
Dates of actual Receipts from Ministry		
07/10/2024	-	249,350,000
07/01/2024	-	11,833,333
07/10/2024		90,150,580
30/06/2025	201,292,559	-
Other debtors (non-exchange transactions)	201,292,559	351,333,913

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21. Property, Plant and Equipment

COST	FREHOLD LAND	BUILDING	M/VEH & CYCLES	WATER SUPPLY INFR	PLANT MACHINERY	FURNITURE FIT	OFFICE EQUIP	COMPUTERS	CAPITAL WORK IN PROGRESS	TOTAL
	Kshs		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Asset Cost	0%	2.50%	25%	2.50%	20%	12.50%	20%	33.30%	0.00%	
Balance as at 01.07.2024	181,719,767	139,258,800	127,721,768	2,869,125,461	25,054,007	12,871,919	2,560,425	23,722,975	18,587,247,081	21,969,282,203
Additions						420,489	798,000	6,782,931	844,428,636	852,430,056
Disposals			(2,000,000)							2,000,000
As at 30.06.2024	181,719,767	139,258,800	125,721,768	2,869,125,461	25,054,007	13,292,408	3,358,425	30,505,906	19,431,675,717	22,819,712,259
Depreciation and impairment										
As at 01.07.2024		39,444,736	126,617,412	1,259,962,941	22,947,919	9,339,500	2,450,036	15,970,710	-	1,476,733,253
Charge for the year		2,495,352	276,089	40,229,063	421,218	494,114	181,678	4,840,220	-	48,937,733
Disposals		0	(2,000,000)	0	0					(2,000,000)
Total at 30.06.2025	-	41,940,088	124,893,501	1,300,192,004	23,369,137	9,833,614	2,631,714	20,810,930	-	1,523,670,986
NBV 30.06.2025	181,719,767	97,318,712	828,267	1,568,933,457	1,684,870	3,458,795	726,711	9,694,976	19,431,675,717	21,296,041,273
NBV 30.06.2024	181,719,767	99,814,064	1,104,356	1,609,162,520	2,106,088	3,532,419	110,389	7,752,265	18,587,247,081	20,492,548,950

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Notes to the Financial Statements (Continued)

Valuation

The Agency is planning to carry out Land, buildings, Plant & Equipment by professional valuers from the government in line with the National Assets and Liabilities Management Policy and Guidelines (issued 30th June 2020). The assets have not been revalued.

21 (b) Property, Plant and Equipment at Cost

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost as at 30th June 2025	Accumulated Depreciation as at 30th June 2025	NBV as at 30th June 2025
	Kshs	Kshs	Kshs
Freehold Land	181,719,767	-	181,719,767
Building	139,258,800	41,940,088	97,318,712
M/Veh & Cycles	125,721,768	124,893,501	828,267
Water Supply Infr	2,869,125,461	1,300,192,004	1,568,933,457
Plant Machinery	25,054,007	23,369,137	1,684,870
Furniture Fit	13,292,408	9,833,614	3,458,795
Office Equip	3,358,425	2,631,714	726,711
Computers	30,505,906	20,810,930	9,694,976
Work In Progress	19,431,675,717	-	19,431,675,717
Total	22,819,712,259	1,523,670,986	21,296,041,273

22. Intangible Assets

COST	2024-2025	2023-2024
	KShs	KShs
Computer Software	20%	20%
Asset Cost		
Balance at the beginning of the year	25,408,831	25,408,831
Additions	-	-
Disposals	-	-
Transfer/adjustments	-	-
As at 30th June	25,408,832	25,408,831
Depreciation and impairment		
At 1st July	23,958,717	23,596,188
Amortization @ 20 %	290,023	362,529
At 30th June	24,248,740	23,958,717
Net book values		
At 30th June	1,160,092	1,450,115

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Notes to the Financial Statements (Continued)

23. Trade and Other Payables

Description	2024-2025	2023-2024
	KShs	KShs
Trade payables	191,833,634	182,783,954
Other payables- Retention Amount	67,448,334	38,239,005
Total trade and other payables	259,281,968	221,022,959

Ageing analysis: (Trade and other payables)

Ageing analysis: (Trade and other payables)	2024-2025		2023-2024	
		Total %	KShs	Total %
Under one year	68,686,735	26%	18,309,644	8%
1-2 years	12,813,873	5%	17,439,689	8%
2-3 years	7,064,890	3%	9,611,431	4%
Over 3 years	170,716,470	66%	175,662,195	79%
Total (tie to above total)	259,281,968	100%	221,022,959	100%

(b) Other payables- Retention Amount

Description	2024-2025	2023-2024
	Kshs	Kshs
Opening Balance	38,239,005	34,900,165
Additions during the year	47,675,570	26,927,337
Payments made during the year	(18,466,241)	(23,588,497)
Retention Amount Balance	67,448,334	38,239,005

24. Current Provisions

Description	Gratuity	Other	2023-2024
	Provision	provision- Audit fee	Total (KShs.)
Balance b/d (1.07.2024)- (1.07.2023)		4,687,200	2,455,200
Additional Provisions		2,455,200	2,232,000
Provision utilized			
Change due to discount and time value for money			
Transfers from non -current provisions			
Total provisions as at 30.6.2025		7,142,400	4,687,200

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Notes to the Financial Statements (Continued)

25. Additional Assets

Description	2024-2025	2023-2024
	KShs	KShs
Computer		
Laptops	6,782,931	3,991,372
Office Desktop		1,028,993
	6,782,931	5,020,365
Furniture		
Office executive Tables	140,000	1,757,048
Panel Coffee Stool	-	42,000
Orthopaedic chairs	111,494	160,990
3 NO Office Chairs	168,995	116,985
	420,489	2,077,023
Office Equipment		
Office Dispenser		39,990
Air Conditioner	798,000	
	798,000	39,990
Water Supply infrastructure- WIP		
Kisumu LVWATSAN- External Resources	716,573,376	541,353,586
Kisumu LVWATSAN- GOK		43,606,856
Water Sector Programme-GOK	112,965,441	20,090,842
Support to Waste Water Program	14,889,820	
	844,428,636	605,051,284
Total Assets- Additions	852,430,056	612,188,662

26. Employee Benefit Obligations

Description	Defined benefit plan	Other Benefits	2024-2025	2023-2024
	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	6,885,346	-	6,885,346	4,419,280
Non-current benefit obligation	16,065,808	-	16,065,808	10,311,654
Total employee benefits obligation	22,951,154	-	22,951,154	14,730,934

Retirement benefit Asset/ Liability

The Agency operates a defined benefit scheme for all full-time employees from July 1, 2004. The scheme is administered by **Octogon Africa** while **APA Insurance Company** are the custodians of the scheme. The scheme is based on **22.5**

Notes to the Financial Statements (Continued)

percentage of salary of an employee at the time of retirement. An actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 is carried out the basis the present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method. The principal assumptions used for the purposes of valuation are circulated to the scheme members.

27. Borrowing

Description	2024-2025	2023-2024
Summary	Kshs	Kshs
a) External Borrowings		
Balance at beginning of the year	11,744,713,747	11,225,259,858
Accrued interest & Penalties	383,259,035	365,889,717
External borrowings during the year	89,096,552	
Prior year Adjustments		153,564,172
Repayments of during the year	- 17,000,000	
Balance at end of the year	12,200,069,333	11,744,713,747

The analyses of both external and domestic borrowings are as follows:

	2024-2025	2023-2024
External Borrowings	Kshs	Kshs
Dollar denominated loan		
Afdb	3,043,961,807	2,945,735,374
Euro denominated loan		
AFD	2,905,419,432	2,741,309,740
Afdb	2,142,020,235	2,378,572,571
KFW	4,108,667,859	3,679,096,062
Total balance at end of the year	12,200,069,333	11,744,713,747

Description	2024-2025	2023-2024
	Kshs	Kshs
Short Term Borrowings (Current Portion)	2,508,088,995	2,141,829,960
Long Term Borrowings	9,691,980,338	9,602,883,786
Total	12,200,069,333	11,744,713,747

Notes to the Financial Statements (Continued)

28. Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. *The Agency did not make any surplus during the year (Previous FY Nil) and hence no remittance to the Consolidated Fund*

29. Cash Generated from Operations

	2024-2025	2023-2024
	Kshs	Kshs
Surplus for the year before tax	(390,916,889)	(247,451,352)
Adjusted for:		
Depreciation	49,227,756	47,588,633
Non-cash grants received:		
Adjustment for sale of PPE	(535,000)	(41,161)
Add back: interest charged fy	366,259,035	365,889,717
Accrued provision for audit	2,455,200	
Working capital adjustments		
Increase in receivables	157,803,554	92,524,429
Increase in Employee benefits	10,081,316	3,733,613
Increase in payables	38,259,009	21,367,581
Net cash flow from operating activities	232,633,982	283,611,460

30. Financial Risk Management

The Agency's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Agency's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Agency does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The Agency's financial risk management objectives and policies are detailed below:

i) Credit risk

The Agency has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of

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each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Agency's management based on prior experience and their assessment of the current economic environment.

Financial Risk Management

The carrying amount of financial assets recorded in the financial statements representing the Agency's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

i. Financial Risk Management

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Agency has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Agency has significant concentration of credit risk on amounts due from exchange transactions. The board of directors sets the Agency's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

	Total amount	Fully performing
	Kshs	Kshs
As at 30 June 2025		
Receivables from exchange transactions	152,974,223	152,974,223
Receivables from non-exchange transactions	201,292,559	201,292,559
Bank balances	174,520,213	172,314,299
Total	528,786,995	526,581,081
As at 30 June 2024		
Receivables from exchange transactions	160,674,223	160,674,223
Receivables from non-exchange transactions	351,333,913	351,333,913
Bank balances	689,794,917	689,794,917
Total	1,201,803,053	1,201,803,053

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Agency's directors, who have built an appropriate liquidity risk management framework for the management of the Agency's short, medium and long-term funding and liquidity management requirements. The Agency manages liquidity risk through continuous

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monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Agency under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2025				
Trade payables		72,598,951	186,683,017	259,281,968
Current portion of borrowings			2,508,088,995	2,508,088,995
Provisions			7,142,400	7,142,400
Employee benefit obligation		6,223,572	14,521,668	20,745,240
Total	0.00	78,822,522.96	2,716,436,079.68	2,795,258,602.63
As at 30th June 2023-2024				
Trade payables			221,022,959	221,022,959
Current portion of borrowings			2,141,829,960	2,141,829,960
Provisions			4,687,200	4,687,200
Employee benefit obligation			14,730,934	14,730,934
Total	0	0	2,382,271,053	2,382,271,053

iii) Market risk

The Agency has put in place an internal audit function to assist it in assessing the risk faced by the Agency on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Agency's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Agency's Finance Department is responsible for the development of detailed risk management policies (subject to

Notes to the Financial Statements (Continued)

Financial Risk Management

review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Agency's exposure to market risks or the way it manages and measures the risk.

a) Foreign currency risk

The Agency has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The Agency manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

Financial Risk Management

The carrying amount of the Agency's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Current FY

	In KShs	Other currencies	Total (KShs)
As At 30 June 2025			
Financial Assets			
Cash	174,520,213		174,520,213
Debtors	201,292,559		201,292,559
Total Financial Assets	375,812,772	-	375,812,772
Financial Liabilities			
Trade And Other Payables	287,169,608		287,169,608
Borrowings	12,200,069,333		12,200,069,333
Total Financial Liabilities	12,487,238,941	-	12,487,238,941
Net Foreign Currency Asset/(Liability)			

b) Interest rate risk

Interest rate risk is the risk that the Agency's financial condition may be adversely affected as a result of changes in interest rate levels. The Agency's interest rate risk arises from bank deposits. This exposes the Agency to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Agency's deposits.

Notes to the Financial Statements (Continued)

Financial Risk Management

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Financial Risk Management

Sensitivity analysis

The Agency analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income.

iv) Capital Risk Management

The objective of the Agency's capital risk management is to safeguard the Agency's ability to continue as a going concern. The Agency capital structure comprises of the following funds:

Description	2024-2025	2023-2024
	KShs	KShs
Retained Earnings	(987,763,388)	238,832,640
Capital Reserve	10,324,306,894	9,471,876,837
Total Funds	9,336,543,506	9,710,709,477
Total Borrowings	12,200,069,333	11,744,713,747
Less: Cash and Bank Balances	(174,520,213)	(689,794,917)
Net Debt/(Excess Cash and Cash Equivalents)	12,374,589,546	11,054,918,830
Gearing	1.33	1.14

Notes to the Financial Statements (Continued)

31. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the Agency 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 Agency, holding 100% of the Agency's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Agency, both domestic and external.

Other related parties include:

- i) The Ministry of Water Sanitation & Irrigation.
- ii) County Governments
- iii) Development Partners
- iv) Key management.
- v) Board of directors.

	2024-2025	2022-2023
	Kshs	Kshs
Transactions with related parties		
a) Grants /Transfers from the Government		
Grants from National Govt	765,600,000	621,599,996
Total		
b) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	167,152,907	149,158,483
Payments for goods and services for External resources funding projects	818,189,153	
Total		
d) Key management compensation		
Directors' emoluments	29,754,134	30,094,414
Compensation to key management		
Total	1,015,096,194	179,252,896

32. Segment Information

The Agency have no segments.

33. Contingent Assets and Contingent Liabilities

There was no Contingencies during the year.

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Notes to the Financial Statements (Continued)

34. Capital Commitments

Capital Commitments	2024-2025	2023-2024
		Kshs
Authorised for	1,724,800,000	1,568,000,000
Authorised and contracted for	1,724,800,000	1,568,000,000
Total	3,449,600,000	3,136,000,000

35. Accumulated surplus

Revenue Reserve	2024-2025	2023-2024
Balance as at 1st JULY	242,899,652	1,256,103,838
Surplus/(deficit) for the period	(390,916,889)	(247,451,352)
Prior year & JV adjustments		(153,564,172)
Movement to capital funds	(837,540,236)	(612,188,662)
Balance as at 30 JUNE	(985,557,474)	242,899,652

36. Capital Fund

Government Grants	2024-2025	2023-2024
		Kshs
Government grant as at 1st July	5,154,344,625	5,147,207,247
Furniture & other office items	8,001,420.00	7,137,378
Total for the period	8,001,420	7,137,378
Bal. C/f	5,162,346,045	5,154,344,625
Donor Grants		
Bal. b/f	4,317,532,212	3,712,480,928
KISUMU LVWATSAN	716,573,376	605,051,284
Water Sector Programme-GOK	112,965,441	
Support to Waste Water Program	14,889,820	
Total for the period	844,428,636	605,051,284
Bal. C/f	5,161,960,849	4,317,532,212
Total Capital	10,324,306,894	9,471,876,837

37. Events after the Reporting Period

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

38. Ultimate And Holding Agency

The Agency is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of Water and Sanitation & Irrigation. Its ultimate parent is the Government of Kenya.

39. Currency

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

20. Appendices

Appendix 1: Implementation Status of Auditor-General's Recommendations

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

Refer Ence No.	Issue / Observations from Auditor	Management comments	Status:	Time frame:
1	Failure to Capitalize WIP Completed	It is true that the completed projects are yet to be capitalize. The projects are operated by the Water Companies as mandated by the Water Act 2016 and they derive economic value from them hence it becomes difficult to evaluate and treatment on the Asset books more challenging. Also it is good to note that most of those projects have pending payments and completion reports are yet to be finalize to facilitate asset capitalization.	Resolved	
2	Unsupported Prior Year Adjustments on Borrowings	The prior year adjustment came as a result of reconciliation done with the National Treasury who are responsible for the disbursement of Loans received as per the draw down request. During the last financial year 2022-2023 the unreconciled balances between the Agency and National Treasury was noted and recommendation on reconciliation was made. The reconciliation revealed that the rate of exchange transaction applied was varying and therefore in order to match the Agency and National Treasury, the same rates were adopted and it brought about adjustments	Resolved	

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Refer ence No.	Issue / Observations from Auditor	Management comments	Status:	Time frame:
3	Long Outstanding Receivables from Exchange Transactions	The outstanding receivables is being recovered at a slow rate due to inability by the water companies to pay debt. The managements followed up through Board of Directors have in many occasions followed up with the County Governments to intervene on the debt recovery. The management is still following up with the issue.	Not resolved	30.06.20 26
4	Cash and Cash Equivalent- The statement of financial position reflects cash and cash equivalent balance of KShs. 689,794,917 as disclosed in Note 18 to the financial statements.	The balances on the cash difference at the end of the period is due to the inter account borrowing to other Agency's operation account and it was refunded on 11 th July 2024 when the disbursement was received. The reconciliation was carried out with the National treasury to tally the figures.	Resolved	
5	Unsupported Adjustments on Cumulative Surplus	Prior Year Adjustment The prior year adjustment came as a result of reconciliation done with the National Treasury who are responsible for the disbursement of Loans received as per the draw down request. During the last financial year 2022-2023 the unreconciled balances between the Agency and National Treasury was noted and recommendation on reconciliation was made. The reconciliation revealed that the rate of exchange transaction applied was varying and therefore in order to match the Agency and National Treasury, the same rates were adopted and it brought about adjustments.	Resolved	

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Refer Ence No.	Issue / Observations from Auditor	Management comments	Status:	Time frame:
1	Lack of Fixed Asset Register for Work in Progress	The work in progress register is presented in the appendices to the financial statements and in the Fixed Asset register also provided. See attached extract of Asset register WIP as Appendix 1 to these responses		
2	Failure to prepare Agency's Asset Disposal plan	The Agency provided a disposal plan for Assets which was approved by the Board.	Resolved	
3	Non-Compliance with the National Cohesion and Integration Act, 2008	1. A total of six (6) out of the eight (8) candidates - 75% were from the dominant community. This was an affirmative action to bridge the gap of ethnic imbalance. 2. One of the candidates for the Principal Engineer's position Ms. Irene Munene declined the offer. This compounds the problem of little interests by non-dominant communities already mentioned up.	Resolved	
4	Finance Cost The statement of financial performance reflects finance costs of Kshs.372,637,005, as indicated in Note 16 which and includes an amount of Kshs.365,889,717 in respect of finance costs, being interest charge on	Pursuant to devolution under the constitution 2010, and water Act 2016, water service provision is a function of the county government and therefore the tariffs set for WSPs by the regulator contains loan repayment obligation to be paid by County Government/WSPs.	Resolved	

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Reference No.	Issue / Observations from Auditor	Management comments	Status:	Time frame:
5.	<p>development partner loans.</p> <p>Failure to Collect Revenue from the Water Service Providers</p>	<p>The Agency through performance Contract sets the targets for internally generated funds and the same is budgeted for every year.</p> <p>Revenue from the Water Companies is based on the Water Act 2016 which removed the licensing of the Water Companies from the Agency with shifting of the revenue to licensee hence the Agency was guided. The Water Act has been rebilled and amendment is under way to enable the Agency have the right regulations.</p> <p>Finance Income however is budgeted for during supplementary since it is not easy to predict the account balances to earn interest. The recommendation is noted and will be implemented.</p>	Not resolved	30.06.2026
6.	Unutilized Enterprise Resource Planning System (ERP)	<p>implementation and its non-utilization due to non-payment of user license fees.</p> <p>1. Background-The ERP system was acquired to streamline processes, enhance data accuracy, and improve reporting within the Agency. The implementation was completed, and the system was handed over on November 14, 2022.</p> <p>2. Current Status -The delay in utilizing the ERP system is due to a lack of technical support following the conclusion of the contract between the consultant, COWI AS/KENYA, and</p>	Not resolved	30.12.2025

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Refer Ence No.	Issue / Observations from Auditor	Management comments	Status:	Time frame:
7.	<p>Grants Subsidies- Gok Projects</p> <p>7.1. Construction of Otonglo Riat water Supply Project</p> <p>It was also noted that the project has not been completed. Review of the status report further revealed that the project is 90% complete and time elapsed is 96% of the revised completion period. The contractor to date has been paid a total amount of</p>	<p>the sub-consultant, Teknohub Limited, as well as budgetary constraints that have delayed the payment of user license fees. Resolving these issues is a top priority for the Agency.</p> <p>3. Action Plan-The Lake Victoria South Water Works Development Agency is committed to ensuring full utilization of the ERP system to achieve the intended value for money. The Agency has begun the process of identifying a service provider to offer the needed Technical Support towards the finalization of the pending issues and full utilization of the ERP.</p>	Resolved	

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Reference No.	Issue / Observations from Auditor	Management comments	Status:	Time frame:
	<p>Kshs.75,775,575 out of the contract sum of Kshs.91,094,716.94 (approximately 83%)</p> <p>In the circumstances, delay in the project completion denies the community benefits of using water which has cost the public approximately Kshs.75,775,575 which is a substantial amount of money.</p> <p>7.2. Rehabilitation of lower Tiio water pan</p> <p>The water pan is almost complete but the community has not agreed to handover part of the land where the cattle trough will be constructed.</p> <p>In addition, management has not</p>	<p>The project is not stalled but is substantially completed based on the agreed scope by the community which uses the pan. The community is currently using the pan to meet the water needs of livestock. Originally, the plan was to construct a cattle trough in the lower section of the pan reservoir. However, during construction, a boundary dispute arose. In response, the local community held a meeting and proposed a minor expansion of the pan instead of building the cattle trough. This proposal is documented during the site meeting minutes, along with the instruction to allocate the savings from</p>	Resolved	

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Reference No.	Issue / Observations from Auditor	Management comments	Status:	Time frame:
	<p>provided the initial design of the project to confirm where the draw off system was originally placed and whether the community were involved before the project implementation</p> <p>7.3. Construction of Kasungu Water Supply During the audit year, the contractor was paid Interim Payment Certificate No. 2 of Kshs.12,148,160. bringing the total payments made to the contractor since project inception to Kshs.22,192,608. A site inspection conducted on 2 December, 2024 revealed that the project has stalled for over two (2) years,</p>	<p>omitting the cattle trough to fund the expansion. The original proposed site layout for the pan was provide</p> <p>After the Contractor failed to fulfill his contractual obligations by unduly delaying the completion of works, the Agency issued a notice of termination to the Contractor as provided in Annex 4.4. The Agency has repackaged the tender documents for the outstanding works and intends to relaunch the works in the next financial year.</p>		

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Reference No.	Issue / Observations from Auditor	Management comments	Status:	Time frame:
	<p>7.4 Boreholes Drilled but not Equipped</p> <p>A site visit to the sampled projects listed below revealed that while the drilling and development of the boreholes were completed, equipping remains pending for some projects undertaken during the periods 2022–2023 and 2023–2024 amounting to Kshs.13,808,620. The projects involved were; Kenya Forestry Borehole, Kshs.2,578,120, Kiprengwe Borehole, Kshs.2,950,200, Bugo/Ainospet Borehole Kshs.5,641,335, Londiani Town Borehole Kshs.2,669,700, Kakrao Primary School borehole,</p>	<p>The designs for equipping of the borehole have been prepared and the projects are planned to be equipped in the next financial year subject to availability of the budget.</p>		

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Refer Ence No.	Issue / Observations from Auditor	Management comments	Status:	Time frame:
	Kshs.2,898,000 and Mabere primary school Borehole, Kshs.2,712,600.			



Ms. Jackline Kemunto
 Chief Executive Officer
 Date:

Appendix II: Projects implemented by the Agency

Projects implemented by the State Corporation/ SAGA Funded by development partners and/ or the Government.

Project	Total project Cost (Kshs)	Total expended to date (Kshs)	Com	Budget (Kshs)	Actual	Sources of funds
			p % to date		(Kshs)	
1 LVWATSAN Phase II	2,012,115,263	2,012,115,263	100	174,000,000	133,734,544	GoK
2 Homabay Water Improvement Project	79,167,880	115,768,088	146	35,000,000	42,575,453	KFW/GoK
3 Kisumu LVWATSAN	946,274,161	392,690,190	41	530,000,000	142,554,190	AFD/EU/EIB / GoK
4 Water Sector Development Programme Lake Victoria South	4,352,879,079	4,008,005,112	92	1,286,008,296	686,749,988	KFW/GoK
5 Water Services Support Project (Migori Water & Sanitation Project)	1,696,229,519	1,696,229,519	100	0	44,685,497	GoK
6 Siaya Bondo Water Supply and Sanitation Project	2,682,248,088	2,682,248,088	100	0	2,709,708	GoK
7 Kisii Water Supply and Sanitation Project (Bunyonyu)	100,534,656	100,534,656	100	0		Orio(Netherlands)/ GOK
8 Kisumu Short Term Action Plan	3,517,238,089	3,517,238,089	100	0		AFD/ GoK
Water Harvesting Program	50,000,000	14,397,804	29		14,397,804	Gok
9 Kisumu LTAP i	508,297,920	508,297,920	100	0		AFD/ GoK
10 Kisumu LTAP 2	1,482,535,600	1,482,535,600	100	0		AFD/ GoK
11 Rongo Water Supply Project	171,062,428	5,921,663	3		5,921,663	Gok
Total	17,598,582,683	16,535,981,992		2,650,008,296	1,080,188,724	

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Status of Projects completion

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting per the donor agreement(Yes/No	Consolidate d in these financial statements(Yes/No)
				(Kshs)		
1. LVWATSAN II	2100155019967	AfDB	5 Yrs	1,320,593,041	Yes	Yes
2. Trilateral Project	BMZ No.2013 65 352	KFW	5Yrs	76,600,000	Yes	Yes
3. Bunyunyu Dam	ORIO11/KE/21	Orio	5Yrs	33,051,501	Yes	Yes
4. KisumuLVWATSAN	CKE 1093 02 M	AFD/E U/EIB	5Yrs	7,011,432,000	Yes	Yes
5. Water Sector Development Programme	BMZ No.2010 65 861	KFW	8Yea rs	3,958,420,000	Yes	Yes
	And BMZ-No. 2010 70 457					
6.Support Waste Water Management	BMZ No. 201365352	KFW	5yrs	2,729,700,000	yes	yes

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Appendix V- Inter-Agency Confirmation Letter

Confirmation of amounts received by Lake Victoria South Water Works Dev' Agency as of 30th June 2025

Reference Number	Date Disbursed	Recurrent (A)	Date Disbursed	Development (B)	Inter-Ministerial ©	Total (D)=(A+B+C)	Amount Received by LVSWWDA	
							(Kshs) as at 30 th June 2025(E)	Diff. KShs (F)=(D-E)
Bank Stt	30/08/2024	9,466,667						
Bank Stt	23/09/2024	9,466,667	25/09/2024	46,833,333	-	9,466,667	9,466,667	-
Bank Stt	28/10/2024	9,466,666	08/10/2024	46,833,333	-	56,300,000	56,300,000	-
Bank Stt	18/11/2024	9,466,666	20/11/2024	46,833,333	-	56,299,999	56,299,999	-
Bank Stt	19/12/2024	14,106,108	22/11/2024	46,833,333	-	56,299,999	56,299,999	-
Bank Stt	10/02/2025	14,106,108	15/01/2025	46,833,333	-	60,939,441	60,939,441	-
Bank Stt	10/02/2025	14,106,108	19/05/2025	210,833,333		60,939,441	60,939,441	-
Bank Stt	12/03/2025	14,106,108	12/06/2025	111,000,002		224,939,441	224,939,441	-
Bank Stt	03/04/2025	14,106,108	30/05/2025	26,000,000		125,106,110	125,106,110	-
Bank Stt	14/05/2025	25,067,598				40,106,108	40,106,108	-
Bank Stt	10/06/2025	25,067,598				25,067,598	25,067,598	-
Bank Stt	30/06/2025	25,067,598	30/06/2025			25,067,598	25,067,598	-
Total		183,600,000		582,000,000	201,292,560	226,360,158	226,360,158	-

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Entity:

Name John Adongo Sign [Signature] Date 4/12/25