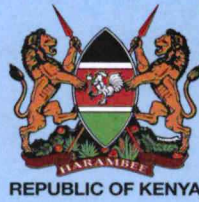


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



 <b>THE NATIONAL ASSEMBLY PAPERS LAID</b>	
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REPORT

OF

THE AUDITOR-GENERAL

ON

**LAKE VICTORIA WATER AND SANITATION  
PROJECT GRANT NO. CKE 1093 02 M,  
CREDIT NO. CKE1093 01 L AND  
EIB NO. FI N083890 Serapis N0 2011-0619**

**FOR THE YEAR ENDED**

**30 JUNE, 2025**

**LAKE VICTORIA SOUTH WATER WORKS  
DEVELOPMENT AGENCY**



**LAKE VICTORIA WATER AND SANITATION PROJECT**  
**LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY**

**GRANT CKE 1093 02 M /CREDIT NUMBER**  
**AFD AGREEMENT NO. CKE 1093 01 L**  
**EIB NO. FI N°83890 Serapis N° 2011-0619.**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2025**

---

**1<sup>st</sup> transitional IPSAS Financial Statements/Prepared in accordance with the Accrual Basis  
of Accounting Method under the International Public Sector Accounting Standards  
(IPSAS)**

**Lake Victoria Water and Sanitation Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

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<b>Table Contents</b>	<b>Page</b>
1. Acronyms and Definition of Terms .....	ii
2. 2. Project Information and Overall Performance.....	iii
3. 3. Statement of Performance Against Project's Predetermined Objectives .....	x
4. 4. Environmental and Sustainability Reporting .....	xii
5. 5. Statement of Project Management Responsibilities .....	xv
6. Report of The Independent Auditor on the Lake Victoria Water and Sanitation Project.....	xvi
7. Statement of Financial Performance for the Year Ended 30th June 2025 .....	+
7. Statement of Financial Position as at 30 <sup>th</sup> June 2025 .....	2
9. Statement of Changes in Net Assets.....	3
10. Statement of Cashflow for the year ended 30 <sup>th</sup> June 2025 .....	4
11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30 <sup>th</sup> June 2025.....	5
12. Notes to the Financial Statements .....	7
17. Annexes.....	24

## **1. Acronyms and Definition of Terms**

EIB	European Investment Bank
AFD	Agence Francaise De Development
EUAITF	European Union Africa Infrastructure Trust Fund
GOK	Government of Kenya
LVSWWDA	Lake Victoria South Water Works Development Agency
LVWATSAN	Lake Victoria Water & Sanitation Program
OAG	Office of the Auditor General
MOWS&I	Ministry of Water, Sanitation & Irrigation
KIWASCO	Kisumu Water & Sanitation Company Ltd
NRW	Non-Revenue Water
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
CP'S	Conditions Precedent to Initial Disbursements
CPTA	Common Project Terms Agreement signed by GOK through NT, EU, AFD EIB

## **2. 2. Project Information and Overall Performance**

### **2.1 Name and Registered office**

The Project's Official name is Lake Victoria Water and Sanitation Project.

### **Overall project Objectives**

To improve access to water and sanitation services to the population of Kisumu

### **Immediate Objectives**

To assist Lake Victoria South Water Works Development Agency/KIWASCO to achieve the overall LVWATSAN objective and to deliver the three packages earmarked for development.

### **2.2 Specific Objectives**

- i. Increase water network and sewer connection
- ii. Improve wastewater treatment
- iii. Increase water storage
- iv. Reduce Non-Revenue Water from 46% to 20%
- v. Enhance capacity of KIWASCO/LVSWWDA in management of LVWATSAN

### **Address**

The project headquarters offices are located at Lake Victoria South Water Works Development Agency in Kisumu County, Kenya.

The address of its registered office is:

Lake Victoria South Water Works Development Agency  
P.O Box 3325-40100  
**KISUMU.**

**Contacts:** This is the project contact,

Telephone: (254) 572025128  
E-mail: [info@lvswwda.go.ke](mailto:info@lvswwda.go.ke)  
Website: [www.lvswwda.go.ke](http://www.lvswwda.go.ke)

**Project information and overall performance (continued)**

**2.2 Project Information**

<b>Project Start Date:</b>	17th December 2015
<b>Project End Date:</b>	31 <sup>st</sup> October 2025
<b>Revised Project End Date:</b>	22 <sup>nd</sup> September 2026
<b>Project Coordinator</b>	Eng. Paul Omondi Agwanda
<b>Project Sponsor:</b>	AFD/EIB/EU-AITF /GOK

**2.3 Project Overview**

Line Ministry of the project	Ministry of Water and Sanitation & Irrigation. .
Project number	GRANT NUMBER CKE 1093 02 M CREDIT NUMBER CKE 1093 01 L and FI N°83890 Serapis N° 2011-0619.
Strategic goals of the project	The strategic goal of the project is as follows: -  To improve social well-being, enhance economic performance and ensure equitable provision of adequate portable water and sanitation services to all users at affordable cost on a sustainable basis
Strategies for achievements of strategic goals.	The project management aims to achieve the goals through the following means: -  (i) Construction of 107km of water supply distribution system within the city, extending to satellite towns of Maseno and Kiboswa;  (ii) Construction of 70km of sewerage network within the Kisumu City;  (iii) Development of new Sewerage Treatment works and collection system at Otonglo to collect and treat 8,000m <sup>3</sup> /day of wastewater  (iv) Preparation of Water Resources and Wastewater Management Master Plan for Kisumu City and Kisumu County;  (v) Provision of Technical Assistance to KIWASCO to reduce Non-Revenue Water from 45% to 20%.;

## Lake Victoria Water and Sanitation Project

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

	(vi) Undertaking of capacity building activities to staff of LVSWWDA, KIWASCO and County Government of Kisumu on contract and project management.
Other important background information of the project	The project is a continuation of the Kisumu Water Supply and Sanitation Project funded by AFD in order to continue progress and to sustain water and sanitation management in the city.
Areas that the project was formed to intervene	<b>The project was formed to intervene in the following areas: -</b>  i. Water supply coverage; ii. Sewerage coverage; iii. Non-Revenue Water loss; iv. Master Plans for Water Resource and Wastewater. v. Access to water and sanitation in Low Income Areas of Manyatta, Obunga, Nyalenda etc; vi. Overreliance in polluted water resource (Lake Victoria) and unreliable river sources.
Project duration	The project started on 17th December 2015 and is expected to run until 31 <sup>st</sup> October 2025, now revised to 22 <sup>nd</sup> September 2026.

#### 2.4 The following are the bankers for the Project: -

- Co-operative Bank of Kenya Ltd  
P.O. Box 1511-40100  
**KISUMU.**
- Kenya Commercial Bank Limited  
P.O. Box 17-40100  
**KISUMU.**
- Kisumu Branch. Oginga Odinga Street,  
Next to university of Nairobi. Mon.  
**+254 711 056444**

#### 2.5 Independent Auditors

- Office of the Auditor General of Kenya, Anniversary Towers  
P.O. Box 30084-00100  
**NAIROBI.**

## 2.6 Roles and Responsibilities

No.	Name	Title Designation	Key Qualifications	Responsibilities
1	Ms. Jackline Kemunto	Chief Executive Officer	MBA Strategic Management BCOM (Management)	Accounting Officer
2	Eng. Paul Agwanda	Senior Manager, Water works & Services	MSc. Engineering in Water Resource Management. B.Sc. Civil Engineering	Project Coordinator
3	Eng. Phelix Okuta	Senior Engineer	B.Sc. degree in Civil Engineering	Project Engineer
4	CPA Peter Omari Kebiro	Senior Accountant	BBA(Finance), CPA(K), CFA(K)DIP, PROJECT MGT,	Project Accountant
5	Mr. Francis Kamureen	Senior Supply Chain Management Officer	B. Com (SCM), CIPS	Project Supply Chain Management Officer

## 2.7 Funding summary

The Project is for a duration of ten years from 2015 to October 2025 with revised timeline of 22<sup>nd</sup> September 2026 approved budget of 70.0 Million Euros equivalent to KShs 8.18 Billion as highlighted in the table below: -

**Project information and overall performance (continued)**

Below is the funding summary:

**A. Source of Funds**

Source of funds	Donor Commitment-		Amount received to date – (30-06-2025)		Undrawn balance to date	
	<i>EURO</i>	<i>KShs</i>	<i>EURO</i>	<i>KShs</i>	<i>EURO</i>	<i>KShs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
<b>(i) Grant</b>						
EU-AITF- European Union African Infrastructure Trust Fund	5,000,000	584,286,000	3,682,000	499,527,703	1,318,000	84,758,297
AFD	10,000,000	1,168,572,000	6,089,058	767,206,140	3,910,942	401,365,860
European Investment Bank-EIB	35,000,000	4,090,002,000	6,778,000	1,037,882,000	28,222,000	3,052,120,000
<b>(ii) Loan</b>						
AFD	10,000,000	1,168,572,000	0	0	10,000,000	1,168,572,000
<b>(iii) Counterpart funds</b>						
Government of Kenya	10,000,000	1,168,572,000	1349285	168,007,349	8,650,715	1,000,564,651
<b>Total</b>	<b>70,000,000</b>	<b>8,180,004,000</b>	<b>17,898,343</b>	<b>2,472,623,192</b>	<b>52,101,657</b>	<b>5,707,380,808</b>

Project information and overall performance (continued)

**B. Application of Funds**

Application of funds	Amount received to date – (30 <sup>th</sup> June 2025)		Cumulative Amount paid to date – (30 <sup>th</sup> June 2025)		Unutilised balance to date (30 <sup>th</sup> June 2025)	
	<i>EURO</i>	<i>Kshs</i>	<i>EURO</i>	<i>Kshs</i>	<i>EURO</i>	<i>Kshs</i>
	(A)	(A')	(B')	(B')	(A)-(B)	(A')-(B')
<b>(i) Grant</b>						
EU-AITF- European Union African Infrastructure Trust Fund.	3,682,000	499,527,703	3,682,000	499,527,703	-	-
AFD	6,089,058	767,206,140	4,480,896	560,116,025	1,608,162	207,090,115
European Investment Bank-EIB	6,778,000	1,037,882,000	6,699,455	1,025,893,023	78,545	11,988,977
<b>(ii) Counterpart funds</b>						-
Government of Kenya	1349285	168,007,349	1,176,718	166,085,316	172,567	1,922,033
<b>Total</b>	<b>17,898,343</b>	<b>2,472,623,192</b>	<b>16,039,069</b>	<b>2,251,622,067</b>	<b>1,859,273</b>	<b>221,001,125</b>

## **Project information and overall performance (continued)**

### **2.8 Summary of Overall Project Performance**

- i. The Overall budget performance is at 30% disbursement at the current year cumulative this is because only Works Package 1 Contract was in progress during the year under review. Works Package 2 Lot 1 is set to commence officially in the next Financial Year and Consultancy for Technical Studies and Supervision for Works Package 3 will also commence in the next Financial Year.
- ii. Works Package 1 Contract progressed to 87% physical progress during the Financial Year under review;
- iii. The project absorption rate is at 30% in 2024/2025 and was at 22% in the year 2023/2024.
- iv. The implementation challenges were: -
  - ✓ Community resistance specifically for the proposed new wastewater treatment plant in Otonglo
  - ✓ GOK Budget cuts leading to slow Rap implementation thus affecting the progress of works.
  - ✓ Slow approval of tax exemption master list
  - ✓ Foreign Exchange Losses

Recommendations on way forward to mitigate the challenges.

- Continuous Stakeholder Engagements
- Lobbying for more resource allocation
- Signing of Addendums to the Construction Contracts

### **2.9 Summary of Project Compliance**

The project did not have non-compliance issues with the applicable law and regulations or any external financing agreements.

**3. 3. Statement of Performance Against Project’s Predetermined Objectives**

The key development objectives of the project’s 2015-2025 plans are to:

- i. Increase Waste water network and sewer connection
- ii. Improve waste water treatment
- iii. Increase Water Storage
- iv. Reduction of Non-revenue Water from 46% to 20%
- v. Enhance capacity of LVSWWDA/ KIWASCO and County Government of Kisumu on management of LVWATSAN

**Progress on attainment of Strategic development objectives**

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

<b>Project</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
KISUMU LVWATSAN PROJECT	Increase water services coverage from 65% to 80% by 2026.	Enhance accessibility to safe water by the population of Kisumu, Ahero, Kiboswa & Maseno Towns	% of population of Kisumu, Ahero, Kiboswa & Maseno Towns with access to safe water services	65% of population with access to safe water.
	Increase sewerage services coverage from 16% to 45% by 2026.	Enhance accessibility to safe sanitation services by the population of Kisumu, Ahero, Kiboswa & Maseno Towns	% of population of Kisumu, Ahero, Kiboswa & Maseno Towns with access to sanitation services.	16% of population accessing to safe sewerage services

<b>Project</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
	Improve wastewater treatment	Safe effluent as per NEMA & WHO standards	Mg/l Quality of discharged effluent	25.8Mg/l
	Increase water storage	Volume of Stored Water	M <sup>3</sup> of Stored Water	
	Reduce Non-Revenue Water from 46% to 20%	Enhance water supply consistency to the residents of Kisumu, Ahero, Kiboswa & Maseno Towns	% of NRW	46% of NRW
	Enhance capacity of KIWASCO/LVSWWDA in Management of LVWATSAN	A well-coordinated Project Management Unit	% level of efficiency in Project Management	Trained both KIWASCO & LVSWWDA (PMU) on; <ul style="list-style-type: none"> <li>1. Financial Management</li> <li>2. Tax Management</li> <li>3. Project Management</li> <li>4. Monitoring &amp; Evaluation</li> <li>5. Procurement</li> <li>6. AUTOCAD</li> </ul>

#### **4. 4. Environmental and Sustainability Reporting**

##### **1. 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.

##### **2. 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.

### **3. Employee welfare**

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

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

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

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 enables employees set their targets and eventually evaluated through annual appraisals. The evaluation enables employees of the Agency to be upskilled, helped or otherwise redeployed and 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 procedures that assure their protection from such hazards and disasters. The policies and procedures are implemented in compliance with the provisions of Occupational Safety and Health Act, 2007 and other Labour Laws.

### **4. Market place practices**

The Agency ensures incorporation of competitive market practices through, encouraging competitive bidding by Placing advertisements for all tenders in financier's website, dedicated government portal (public procurement information portal), our local dailies (MYGOV), and our website.

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

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

## **5. Community Engagements**

In line with the right to Access to Information as enshrined under Article 35 of the COK, the Project Stakeholder Participation and Coordination will be given a major emphasis not only as a constitutional requirement as a basic necessity for such developments but also to benefit from other advantages such as sharing information, participatory approach to Project management, management of potential conflicts between institutions, integrated planning for LVWATSAN infrastructure and harmonious implementation of LVWATSAN Project with other development Projects to be executed by other entities e.g. road constructions, harbour improvements.

**5. 5. Statement of Project Management Responsibilities**

The Chief Executive Officer of Lake Victoria South Water Works Development Agency and the Project Coordinator for Lake Victoria Water and Sanitation project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

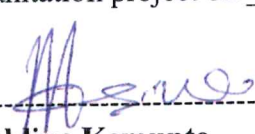
The Chief Executive Officer of Lake Victoria South Water Works Development Agency and the Project Coordinator for Lake Victoria Water and Sanitation project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate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

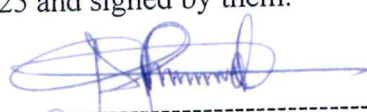
The Chief Executive Officer of Lake Victoria South Water Works Development Agency and the Project Coordinator for Lake Victoria Water and Sanitation project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2025, and of the Project's financial position as at that date. The Chief Executive Officer of Lake Victoria South Water Services Board and the Project Engineer for Lake Victoria Water and Sanitation project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Chief Executive Officer of Lake Victoria South Water Works Development Agency and the Project Coordinator for Lake Victoria Water and Sanitation project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Project financial statements**

The Project financial statements were approved by the Chief Executive Officer of Lake Victoria South Water Works Development Agency and the Project Coordinator for Lake Victoria Water and Sanitation project on 29/09/2025 and signed by them.

  
-----  
**Ms. Jackline Kemunto**  
**Chief Executive Officer**

  
-----  
**Eng. Paul Agwanda**  
**Project Coordinator**

# REPUBLIC OF KENYA

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



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

## REPORT OF THE AUDITOR-GENERAL ON LAKE VICTORIA WATER AND SANITATION PROJECT GRANT NO. CKE 1093 02 M, CREDIT NO. CKE1093 01 L AND EIB NO. FI N083890 Serapis N0 2011-0619 FOR THE YEAR ENDED 30 JUNE, 2025 – LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY

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### PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, 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 the 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 does not necessarily mean that an entity has complied with all relevant laws and regulations, is effective in the use of resources, or that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, 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 the L Lake Victoria Water and

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*Report of the Auditor-General on Lake Victoria Water and Sanitation Project Grant No. CKE 1093 02 M, Credit No. CKE 1093 01 L AND EIB No. FI N<sup>o</sup>83890 Serapis N<sup>o</sup> 2011-0619 for the year ended 30 June, 2025 – Lake Victoria South Water Works Development Agency*

Sanitation Project Grant No. CKE 1093 02 M, Credit No. CKE 1093 01 L AND EIB No. FI N083890 Serapis N0 2011-0619 - Lake Victoria South Water Works Development Agency set out on pages 1 to 29, 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 the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Lake Victoria Water and Sanitation Project Grant No. CKE 1093 02 M, Credit No. CKE 1093 01 L AND EIB No. FI N083890 Serapis N0 2011-0619 as 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 Financing Grant Agreement No. CKE 1093 02 M, Credit No. CKE 1093 01 L and EIB NO. FI N<sup>o</sup>83890 SERAPIS N<sup>o</sup>2011-0619 Dated..... 17 December, 2015 between the Republic of Kenya and French Development Agency (AFD) and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **Unsupported and Unconfirmed Third-Party Deposits**

The statement of financial position reflects third party deposits balance of Kshs.60,362,720 as disclosed in Note 11 to the financial statements. However, there was no cashbook or ledger to support the deposits.

In the circumstances, the accuracy and fair statement of the third-party deposits balance of Kshs.60,362,720 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Lake Victoria Water and Sanitation Project Grant No. CKE 1093 02 M, Credit No. CKE 1093 01 L AND EIB No. FI N083890 Serapis N0 2011-0619 Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## **Emphasis of Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final budget of Kshs.1,371,173,367 and actual on comparable basis of Kshs.994,719,704 resulting in under-funding of Kshs.376,453,663 or 27% of the budget. Similarly, the project expended Kshs.717,072,579 against actual receipts of Kshs.994,719,704 resulting to an under-utilization of Kshs.277,647,125 or 28 % of the actual receipts.

The under absorption and 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 matters described in the Basis for Qualified Opinion, I have determined that there are no other key audit matters to communicate in my report.

### **Other Information**

#### **Conclusion**

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

#### **Basis for Conclusion**

In connection with my audit on the Project 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.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion, on the lawfulness and effectiveness in use of public resources, 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

#### Delay in Project Completion- Works Package 1 Water and Waste Networks

Management awarded contract number LVSWWDA/RT/1/21-22/LVWATSAN - Lake Victoria Water and Sanitation Program to a firm for Works Package 1 for Water and Waste Water Networks at a contract sum of Kshs.1,207,254,397. The contract was signed on 3 August, 2022 with commencement and expected completion dates of 1 December, 2022 and 31 May, 2024 respectively. Review of project records revealed that Kshs.1,066,432,825 or 88% had been paid and an extension of the project completion date to 31 May, 2025. However, review of the project status report and a physical verification exercise carried out on 15 September, 2025 revealed that although the project expected completion date had lapsed, the project completion was at 84% based on revised completion date of 31 July, 2025.

In the circumstances, the delays in completion of the project has denied the residents the envisioned services from the implementation of the project while value for money has not been realized from the expenditure.

The audit was conducted in accordance with ISSAIs 3000 and 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

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

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*Report of the Auditor-General on Lake Victoria Water and Sanitation Project Grant No. CKE 1093 02 M, Credit No. CKE 1093 01 L AND EIB No. FI N<sup>o</sup>83890 Serapis N<sup>o</sup> 2011-0619 for the year ended 30 June, 2025 – Lake Victoria South Water Works Development Agency*

## **Basis for Conclusion**

The audit was conducted in accordance with ISSAIs 2315 and 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.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **Conclusion**

As required by the French Development Agency (AFD), the Financing Grant Agreement CKE 1093 02 M, Credit No. CKE 1093 01 L and EIB NO. FI N<sup>o</sup>83890 SERAPIS N<sup>o</sup>2011-0619, I report, based on my audit, that 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:

- i. The information given in the Management report on pages iii to xv is consistent with the financial statements;

Adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,

- ii. The Project's financial statements are in agreement with the accounting records and returns

### **Basis for Conclusion**

The Financing Grant Agreement CKE 1093 02 M, Credit No. CKE 1093 01 L and EIB NO. FI N<sup>o</sup>83890 SERAPIS N<sup>o</sup>2011-0619 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Project's compliance with laws and regulations. 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 those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Project's, ability to continue as a going concern, disclosing, as applicable, matters related

to going concern and using the going concern basis of accounting unless the 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

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

#### **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires 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 IFPP 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 also 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.

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*Report of the Auditor-General on Lake Victoria Water and Sanitation Project Grant No. CKE 1093 02 M, Credit No. CKE 1093 01 L AND EIB No. FI N<sup>o</sup>83890 Serapis N<sup>o</sup> 2011-0619 for the year ended 30 June, 2025 – Lake Victoria South Water Works Development Agency*

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

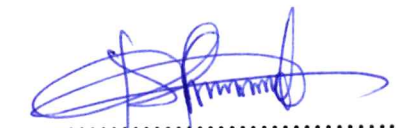
03 October, 2025

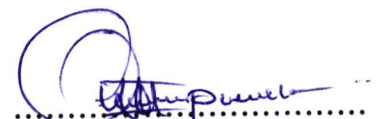
**7. Statement of Financial Performance for the Year Ended 30th June 2025**

	Notes	FY2024/25
		Kshs
<b>Revenue</b>		
Revenue Transfers	6(a)	942,671,688
Miscellaneous Revenue	(b)	18,263,078
<b>Total revenue</b>		<b>960,934,766</b>
<b>Expenses</b>		
<b>Total expenses</b>		-
<b>Other gains/(losses)</b>		
Gain/Loss on foreign exchange transactions		-
<b>Surplus/ (deficit)</b>		<b>960,934,766</b>

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

  
 Ms. Jackline Kemunto  
 Chief Executive Officer

  
 Eng. Paul Agwanda  
 Project Coordinator

  
 CPA Peter Omari  
 Project Accountant  
 ICPAK Member No:15125


**Lake Victoria Water And Sanitation Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

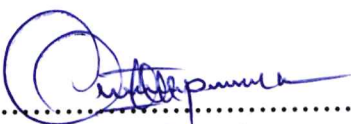
**7. Statement of Financial Position as at 30<sup>th</sup> June 2025**

	Note	2024-2025	1st July 2024
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash equivalents	7	33,784,939	654,856,001
Receivables	8	248,936,938	-
<b>Total Current Assets</b>		<b>282,721,877</b>	<b>654,856,001</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	9	2,251,622,067	1,534,549,488
<b>Total Non- Current Assets</b>		<b>2,251,622,067</b>	<b>1,534,549,488</b>
<b>Total Assets (a)</b>		<b>2,534,343,944</b>	<b>2,189,405,489</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	10	5,074,752	19,924,152
Third party deposits	11	60,362,720	60,362,720
Deferred Income	12	33,784,938	654,856,001
<b>Total Current Liabilities</b>		<b>99,222,410</b>	<b>735,143,473</b>
<b>Total Liabilities (b)</b>		<b>99,222,410</b>	<b>735,143,473</b>
<b>Net Assets (a-b)</b>		<b>2,435,121,534</b>	<b>1,454,262,016</b>
<b>Represented By:</b>			
Accumulated Surplus		2,435,121,534	1,454,262,016
<b>Total Net Assets</b>		<b>2,435,121,534</b>	<b>1,454,262,016</b>

The financial statements were approved on 29/09 2025 and signed by:

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

  
 .....  
 Eng. Paul Agwanda  
 Project Coordinator

  
 .....  
 CPA Peter Omari  
 Project Accountant  
 ICPAK Member No:15125

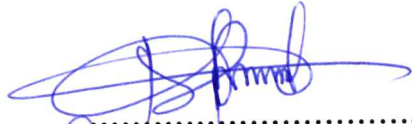
**9. Statement of Changes in Net Assets**

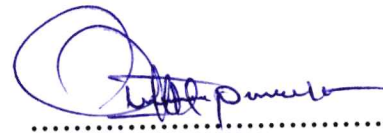
Description	Accumulated Surplus
	Kshs
<b>As at 30<sup>th</sup> June 2024 (Cash Basis)</b>	<b>654,856,001.00</b>
Adjustments:	
Asset Recognition	1,534,549,488.00
Liabilities recognition	715,218,721.00
<b>As at 1<sup>st</sup> July 2024</b>	<b>1,474,186,768.00</b>
Surplus/(Deficit) for the year	960,934,766.14
<b>As at 30<sup>th</sup> June 2025</b>	<b>2,435,121,534.14</b>

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

The financial statements were approved on 29/09/ 2025 and signed by:

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

  
 .....  
**Eng. Paul Agwanda**  
**Project Coordinator**

  
 .....  
**CPA Peter Omari**  
**Project Accountant**  
**ICPAK Member**  
**No:15125**

**10. Statement of Cashflow for the year ended 30<sup>th</sup> June 2025**

Description	Note	2024-2025
		Kshs
<b>Cashflow from operating activities</b>		
<b>Receipts</b>		
Revenue Transfers		120,308,065
Miscellaneous Revenue		18,263,078
<b>Total receipts</b>		<b>138,571,143</b>
<b>Payments</b>		
payments of payables		
Other Transfers		47,644,378
<b>Total payments</b>		<b>47,644,378</b>
<b>Net cash flow from operating activities</b>	13	90,926,765
<b>Cashflow from investing activities</b>		
Acquisition of non-financial assets		(711,997,827.20)
<b>Net cash flows from investing activities</b>		<b>(711,997,827.20)</b>
<b>Cash flow from financing activities</b>		
<b>Net cash flow from financing activities</b>		-
Net increase/Decrease in cash and cash equivalents		(621,071,062)
<b>Cash and cash equivalent at 1<sup>st</sup> July 2024</b>	7	<b>654,856,001</b>
<b>Cash and cash equivalent at end June 2025</b>	7	<b>33,784,939</b>

11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30<sup>th</sup> June 2025

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Budget Carry Overs from previous periods</b>	<b>0</b>	<b>-</b>	<b>654,856,001</b>	<b>654,856,001</b>	<b>-</b>	<b>100%</b>
<b>Receipts</b>					-	
Revenue Transfers	90,000,000	60,000,000	30,000,000	30,157,485	4,723,515	101%
Development Partner	2,900,000,000	2,213,682,634	686,317,366	309,706,218	596,166,786	45%
<b>Total Revenue</b>	<b>2,990,000,000</b>	<b>2,273,682,634</b>	<b>1,371,173,367</b>	<b>994,719,704</b>	<b>600,890,301</b>	<b>73%</b>
					-	
<b>Payments</b>					-	
Employee costs	9,000,000	-	9,000,000	7,782,565	1,217,435	86%
Use of goods and services	281,000,000	70,000,000	211,000,000	20,791,452	190,208,548	10%
Certified Works	2,700,000,000	2,203,682,634	1,151,173,367	688,498,562	462,674,805	60%
<b>Total Payments</b>	<b>2,990,000,000</b>	<b>2,273,682,634</b>	<b>1,371,173,367</b>	<b>717,072,579</b>	<b>654,100,788</b>	<b>52%</b>
<b>Surplus</b>	<b>-</b>			<b>277,647,125</b>		

**Budget notes**

- i. Revenue Transfer received was as a result of Gok supplementary budget reduction and less disbursement during the year.
- ii. Payments made to use of goods and services is because of slow implementation of works package which affected consultancy and certified works. It was also affected by procurement process and resistance of the project by the Community.
- iii. The changes between the original and final budget was as a result of Government supplementary budget which reduced the project original figures.

**Budget Reconciliation**

Description of Particulars	Amount in Kshs
Actual Surplus Amounts as per the statement of Budget	<b>277,647,125</b>
Reason for differences-payables	5,074,752
Reason for differences-receivables	(248,936,938.00)
Reason for differences	-
Reason for differences	-
<b>Closing Cash and Cash Equivalent as per the statement of Cash flows</b>	<b>33,784,939</b>

12. Notes to the Financial Statements

1. General Information

LVSWWDA 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 to develop Water and Sanitation Infrastructure.

2. Statement of Compliance and Basis of Preparation

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

**Guiding note during the transition period:**

The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS), or the entity has taken advantage of the transitional provisions under IPSAS 33, and therefore these 1<sup>st</sup>/ 2<sup>nd</sup>/ 3<sup>rd</sup>/year financial statements are transitional financial statements and the following elements of the financial statements have not been recognized as the entity has taken advantage of the transition provisions outlined in IPSAS 33.

These financial statements were authorized for issue by the accounting officer  
 15/07/2025

3. Adoption of New and Revised Standards

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

Standard	Effective date and impact:
IPSAS 45- Property Plant and Equipment	<p><b>Applicable 1<sup>st</sup> January 2025</b></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>The standard will be applicable in the project financial statement when stating the value of Land, the infrastructure is seating on.</p>
IPSAS 46	<b>Applicable 1<sup>st</sup> January 2025</b>

**Lake Victoria Water And Sanitation Project  
Annual Report and Financial Statements for the financial year ended June 30, 2025**

<b>Standard</b>	<b>Effective date and impact:</b>
Measurement	<p>The objective of this standard was to improve measurement guidance across IPSAS by:-</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>

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

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 47- Revenue	<p><b>Applicable 1<sup>st</sup> January 2026</b></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 entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48- Transfer Expenses	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><b>It is applicable and expect to bring impact on transfer of funds from the line Ministry.</b></p>

**iii) Early adoption of standards**

The Entity adopt any new or amended standards in the financial year since it is also a new project to be funded in the current year.

**Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the 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 have been acquired using such funds.

**ii) Revenue from exchange transactions**

**Interest income**

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

**b) Budget information**

The original budget for FY 2024/2025 was approved by the Board on **14/07/2025**. 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 to conclude the final budget. Accordingly, the Agency recorded additional appropriations of **14/07/2025** on the FY 2024/2025 budget following the Board'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 cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 6 under section **10** of these financial statements.

**Notes to the financial statements**

**c) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the item of property appropriately according to the acronyms you use in your financial statements plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the 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.

**d) Leases**

Finance leases are leases that transfer substantially the entire 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 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.

**e) Intangible assets**

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

**f) Research and development costs**

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

- The technical feasibility of completing the asset so that the asset will be available for use or sale.

**Notes to the financial statements**

- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits or service potential

- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

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

**g) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The Agency does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the agency's financial statements.* 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.

***Financial assets***

***Classification***

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 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 an irrevocable election at initial recognition for particular investments in equity instruments.

**Notes to the financial statements**

**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.

**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.

**Trade and other receivables**

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

**Impairment**

The 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 *Note xx*.

**Notes to the financial statements**

***Financial liabilities***

***Classification***

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

**h) Inventories**

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

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

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

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

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

**i) Provisions**

Provisions are recognized when the *Agency* has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the *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

### *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.

### *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.

### **j) 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*).

### **k) 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.

### **l) 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.

**m) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair

**Notes to the financial statements**

value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

**n) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed, and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**o) Related parties**

The 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 Principal and senior managers.

**p) Service concession arrangements**

The Agency analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *Agency* recognizes the 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.

**q) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

**Notes to the financial statements**

**r) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

**13. 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 about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**Estimates and assumptions.**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The 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 values**

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

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

**Provisions**

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

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

Notes to the financial statements

6. Revenue Transfers

Description	FY2024/25
	KShs
<b>Unconditional Transfers</b>	
GoK Counter Part funding	30,157,485
Transfers from Development partners	930,777,281
<i>Other unconditional transfers (Specify)</i>	-
<b>Total Unconditional Transfers (a)</b>	960,934,766
<b>Conditional Transfers</b>	
GoK Counter Part funding	
Transfers from Development partner 2	-
<i>Other conditional transfers (specify) intrest</i>	
<b>Total Conditional Transfers (b)</b>	-
<b>Total Transfers for the Year (a + b)</b>	960,934,766

a) Details to Revenue Transfers-

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Amount moved to Capital fund	Total transfers ( FY2024/25)
	Kshs	Kshs	Kshs	Kshs
GOK Funding	30,157,485	33,784,938	5,074,752	69,017,175
Development Partner 1	912,514,203	-	-	912,514,202
Development Partner 2	-	-	-	-
<b>Subtotal</b>	942,671,688	33,784,938	5,074,752	981,531,377
Deferred Income realized		-		
Transfers in Kind	-	-		-
<b>Total</b>	942,671,688	33,784,938	5,074,752	981,531,378

Notes to the financial statements

(b) Miscellaneous revenue

Description	FY 2024/25
	Kshs
Interest Income	18,263,078
<i>Others (specify)</i>	-
<b>Total</b>	<b>18,263,078</b>

7. Cash and Cash Equivalents

Description	FY2024/25	1st July
	Kshs	Kshs
Cash in Bank	33,784,938	654,856,001
Cash on hand	-	-
<b>Total Cash and Cash Equivalents</b>	<b>33,784,938</b>	<b>654,856,001</b>

Project Bank Accounts

Details	FY 2024/25	1 <sup>st</sup> July 2024
	Kshs	Kshs
<b>Local Currency Accounts</b>		
NCBA Bank of Kenya [A/c No 4734350017]	20,990,598	648,284,949
Kenya Commercial Bank [A/c N 1283193744]	3,959,383	338,656,000
Co-operative Bank of Kenya [A/c No 011401871351900]	8,834,957	6,232,486
Total local currency balances	<b>33,784,938</b>	<b>654,856,001</b>
<b>Total bank account balances</b>	<b>33,784,938</b>	<b>654,856,001</b>

8. Receivables

Description	FY2024/25	1st July 2024
	Kshs	Kshs
Counter Part Funding	201,292,560	-
Contractor's Advance payments		-
<i>Other Receivables (specify) lvs</i>	47,644,378	-
<b>Total Receivables</b>	<b>248,936,938</b>	<b>-</b>

**Lake Victoria Water And Sanitation Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**Notes to the financial statements**

**9. Property, Plant and Equipment**

Cost	Motor vehicles	Furniture and fittings	ICT Equipment	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Depreciation rate</b>	25%	12.50%	33.30%		
<b>As At 1 July 2024 (opening balances)</b>	6,424,275	2,704,559	4,630,119	1,520,790,535	1,534,549,488
Additions	-	-	-	717,072,579	717,072,579
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2025</b>	6,424,275	2,704,559	4,630,119	2,237,863,114	2,251,622,067
<b>Depreciation And Impairment</b>					
<b>As at 1 July 2025</b>	-	-	-	-	-
Depreciation charge for the year	-	-	-	-	-
Impairment loss	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
<b>As At 30<sup>th</sup> June 2025</b>	-	-	-	-	-
<b>Net Book Values</b>					
<b>As at 1<sup>st</sup> July 2024</b>	6,424,275	2,704,559	4,630,119	1,520,790,535	1,534,549,488
<b>As at 30<sup>th</sup> June 2025</b>	6,424,275	2,704,559	4,630,119	2,237,863,114	2,251,622,067

**Lake Victoria Water And Sanitation Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**Notes to the financial statements**

**10. Trade and Other Payables**

Description	FY2024/25		1 <sup>st</sup> July 2024	
	Kshs		Kshs	
Trade payables	5,074,752		19,924,752	
Employee payables	0		-	
<i>Other payables (specify)</i>	0		-	
<b>Total trade and other payables</b>	<b>5,074,752</b>		<b>-</b>	
<b>Ageing analysis: (Trade and other payables)</b>	<b>FY2024/25</b>	<b>% of the Total</b>	<b>Comparative FY2023/24</b>	<b>% of the Total</b>
Under one year	5,074,752	%	19,924,752	%
1-2 years	-	%	0	%
2-3 years	-	%	0	%
Over 3 years	-	%	0	%
<b>Total (tie to above total)</b>	<b>-</b>		<b>0</b>	

**Lake Victoria Water And Sanitation Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**Notes to the financial statements**

**11. Third-Party Deposits**

Description	FY2024/25		1 <sup>st</sup> July 2024	
	Kshs		Kshs	
Payables	60,362,720		60,362,720	
<b>Total retention</b>	<b>60,362,720</b>		<b>60,362,720</b>	
<b>Ageing analysis: (Refundable deposits)</b>	<b>FY2024/25</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>
Under one year	60,362,720	%	60,362,720	%
1-2 years	-	%	0	%
2-3 years	-	%	0	%
Over 3 years	-	%	0	%
<b>Total</b>	-		0	

*(being retention monies held for construction works)*

**12. Deferred income**

Description	FY2024/25		1st July 2024	
	Kshs		Kshs	
Development partner 1	33,784,938		654,856,001	
Development partner 2	-		-	
<i>Others specify</i>	-		-	
<b>Total Deferred Income</b>	<b>33,784,938</b>		<b>654,856,001.00</b>	

**Lake Victoria Water And Sanitation Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**Deferred Income**

**Movement Schedule**

	Development Partner 1	Development Partner 2		Others specify	Total
	Kshs	Kshs		Kshs	Kshs
Balance as at 1 <sup>st</sup> July 2024	654,856,001	-		0	654,856,001
Additions	339,863,703	-		0	339,863,703
Transfers To Performance Statement as Revenue	(960,934,766)	-		0	(960,934,766)
Amount moved to Capital fund					-
Balance as at 30 <sup>th</sup> June 2025	33,784,938	-		0	33,784,938

**13. Cash Generated from Operations**

Description	FY2024/25
<b>Surplus/Deficit for the year</b>	960,934,766
<b>Adjusted for:</b>	
Non-cash grants received	-
Impairment	-
Gains and losses on disposal of assets	-
<b>Working capital adjustments</b>	
Increase/ in inventory	-
Increase in receivables	(248,936,938)
Increase in deferred income	(621,071,063.00)
Decrease in payables	
Increase in payments received in advance	
<b>Net cash flow from operating activities</b>	90,926,765

**14. Events after the Reporting Period numbering of notes 6 to..13.**

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

**15. Ultimate And Holding Agency**

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

**16. Currency**

The Financial Statements are presented in Kenya Shillings (KShs) rounded to the nearest KShs.

17. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	<p>Unsupported Expenditure and Unrecovered Overpayments on Works</p> <p>As previously reported, the statement of receipts and payments reflect comparative expenditure of Kshs.497,703,818 relating to purchase of goods and services as disclosed in Note 4 to the financial statements. The amount includes an advance payment of shs.259,300,355 to a contractor in relation to payment for works package 1. However, review of the Interim Payment Certificate (IPC No.1) in support of the amount reflected shs.241,450,879, resulting to an unsupported overpayment of Kshs.17,849,476. This amount is yet to be recovered from the contractor.</p>	<p>As previously explained, The KES 17,849,475.40 was not an over payment but additional cost of the transaction due to the increase of currency exchange rate between the time the Contract was signed by the Contractor and the time of payment. According to the Contractors Contract, Appendix to Bid, specify that 80% of the amount due to the contractor is paid is USD while 20% is in KES. The Agency only had KES in the Account and hence had to convert the same to USD as per the contract.</p> <p>In response to the previous Audit Query, the Agency drafted amendment to the Contract for Works Package 1 to include provision for foreign exchange related costs. The Agency obtained No Objection from</p>	Not yet resolved	6 months

**Lake Victoria Water And Sanitation Project  
Annual Report and Financial Statements for the financial year ended June 30, 2025**

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
	<p>In the circumstances, the comparative expenditure on purchase of goods and services of Kshs.497,703,818 is overstated by Kshs. 17,849,476.</p>	<p>the financiers on Amendment No 1 which has been signed. The additional costs related to foreign exchange rates during payment of certified works can now be supported.</p>		
2	<p><b>Budgetary Control and Performance</b> The statement of comparison of budget and actual receipts amounts reflects final budget of Kshs.3,517,500,000 and actual on comparable basis of Kshs.255,107,917 resulting in underfunding of Kshs.3,262,392,083 or 93% of the budget. The underfunding affected the Project planned activities and may have negatively on service delivery to the public.</p>	<p>The under absorption of funds was occasioned by the delay in procurement of Works Package 2 lot 1. This delay was due to a lengthy process of getting No Objection on Tender documents from financiers. The Tender documents were sent to AFD for No Objection 18<sup>th</sup> July 2023 but No Objection was only received on 19<sup>th</sup> February 2024.  Part of the approved budget of Kshs 3,515,000,000 was earmarked for paying for certified works under Works Package 2 lot 1.</p>	Resolved	
3.	<p><b>1. Late Remittance of Statutory Deduction</b></p>	<p>The late payment of tax was due to delays occasioned by iTax system</p>	Resolved	

**Lake Victoria Water And Sanitation Project  
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Review of the payroll records revealed that the Project Management did not remit statutory payments on time as required under Section 37(1) of the Income Tax Act which require that an employer should deduct pay as you earn (PAYE) from employees' salaries and wages at the prevailing rates and remit the same to Kenya Revenue Authority on or before the 9th of the following month on three occasions during the year, resulting to arrears amounting to Kshs.338,932, which could lead to avoidable penalties.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>challenges that caused delays in generating PRN'S.</p>		
4	<p><b>2. Long Outstanding Pending Bills</b></p> <p>Annex 3(c) to the financial statements reflects an analysis of pending bills amounting to</p>	<p>a) Annex 3a shows the amount that was pending of KShs. 19,924,752</p>	resolved	

**Lake Victoria Water And Sanitation Project  
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Kshs10,732,715 in respect to staff salaries and Project Management Unit expenses. However, these pending bills have been outstanding for over one (1) year contrary to Regulation 42(1)(a) of the Public Finance Management (National Government) Regulations, 2015 which require that debt service payments shall be a first charge and the Accounting Officer shall ensure this is done to the extent possible that the government does not default on debt obligations.</p> <p>Further, the Management have not provided documents to support these pending bills and no explanation was provided as to why the bills were not settled in the year ended 30 June, 2024.</p> <p>In the circumstances, the pending bills are likely to attract interest and penalties while Management was in breach of the law.</p>	<p>which was KRA tax unpaid from the Consultancy certificates. The payment was due from the Donor-Direct payment which took long before reimbursement. The same was reimburse in the Current financial Year 2024-2025 and it has been settled. The actual amount paid varied according to the exchange fluctuation but the amount in Euros were the same. See attached evidence documents as <b>Annex I.</b></p> <p>b) Annex 3(c) amounting to KES 10,732,715, that were used for paying project management cost will be paid to LVSWWDA main account in the Financial Year 2024/2025.</p>		

**Lake Victoria Water And Sanitation Project**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
5	<p>3. Delay in Project Completion.</p> <p>The statement of receipts and payments reflects an amount of Kshs.541,353,586 in respect of purchase of goods and services and as disclosed in Note 4 to the financial statements. The amount includes expenditure of Kshs.34,321,622 incurred on project management consultancy services. Review of contract records revealed that management entered the contract for consultancy at a sum of Kshs.68,345,002 or Euros 1,209,318. The contract commenced on 14 August, 2018 for a period of forty-five (45) months and was expected to be completed by 14 May, 2022 but later extended to 31 October, 2022 and 31 July, 2023. However, as at the time of audit in October 2024, the Project had not been completed while no further extension of contract had been granted.</p>	<p>The project was delayed due to strict local and International Protocols on containment of Covid 19 from January 2020 to December 2022. Since the Consultant-COWI/AS is based in Denmark, the experts could not travel into and out of the Country during the time. Find attached, Presidential Executive Order No.1 which restricted entry or exit of Nairobi for the peak period of COVID 19. <b>Annex 4.3(1) – Covid 19 restrictions directives</b></p> <p>Due to the delay and in order for the consultant to complete the outstanding tasks, completion date has been extended from 31st July 2023 to 31st December 2024. This extension was granted through signing of contract amendment No 4</p> <p>Currently, the consultant has completed outstanding tasks and is preparing contract completion and capacity building report</p>	Resolved	

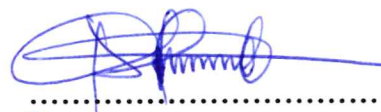
**Lake Victoria Water And Sanitation Project  
Annual Report and Financial Statements for the financial year ended June 30, 2025**

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
	In the circumstances, value for money has not been realized with the continued delay in completion of the Project.			

**Guidance Notes:**

1. Use the same reference numbers as contained in the external audit report;
2. Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
3. Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Agency responsible for implementation of each issue;
4. Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

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

  
 .....  
**Eng. Paul Agwanda**  
**Project Coordinator**

Lake Victoria Water And Sanitation Project  
Annual Report and Financial Statements for the financial year ended June 30, 2025

Annex 2: Reconciliation of inter-Agency transfers

Project Name:				
Break down of transfers from the State Department of Water & Sanitation				
<b>a.</b>	<b>Government Counterpart funding</b>			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		11.07.2024	4,431,000	
		18.10.2024	10,000,000	
		21.12.2024	300,000	
		16.01.2025	5,000,000	
		01.04.2025	320,000	
		29.04.2025	500,000	
		14.05.2025	3,000,000	
		22.05.2025	6,606,485	
		<b>Total</b>	<b>30,157,485</b>	
<b>B.</b>	<b>Direct payments</b>			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		<b>Total</b>	<b>0</b>	
<b>C.</b>	<b>Others</b>			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		10/07/2024	90,150,580	FY 2024/25
		<b>Total</b>		
		<b>Total (A+B+C)</b>		

The above amounts have been communicated to and reconciled with the Parent Ministry/ State Department

**Project Coordinator**  
Lake Victoria South Agency

**Head of Accounting Unit**  
Ministry/County Department

Sign 

Sign \_\_\_\_\_

**Annex 3: Fixed Asset Register**

Asset class	Historical Cost b/f (Kshs)	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs)
	2024				2025
Land					
Buildings and structures					
Transport equipment	6,424,275	-	-	-	6,424,275
Office equipment, furniture and fittings	2,704,559	-	-	-	2,704,559
ICT Equipment	4,630,119	-	-	-	4,630,119
Work in Progress	1,520,790,535	717,072,579	-	-	2,237,863,114
<b>Total</b>	<b>1,534,549,488</b>	<b>717,072,579</b>	<b>-</b>	<b>-</b>	<b>2,251,622,067</b>

