

Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 18 FEB 2021

DAY.

Thursday

REPORT

TABLED
BY:

L. D. M

CLERK AT
THE TABLE:

P. Muga

OF

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

**LAKE VICTORIA WATER AND SANITATION
PROJECT – NUMBER CONVENTION
AFD CKE 1093 02 M**

**FOR THE YEAR ENDED
30 JUNE, 2020**

**LAKE VICTORIA SOUTH WATER WORKS
DEVELOPMENT AGENCY**



*Lake Victoria Water And Sanitation Project
Reports and Financial Statements For the financial year ended June 30, 2020*

CONTENTS

PAGE

1. PROJECT INFORMATION AND OVERALL PERFORMANCE	ii
2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES.....	v
3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY	vi
REPORTING.....	vi
4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES	viii
5. REPORT OF THE INDEPENDENT AUDITORS ON THE LAKE VICTORIA WATER AND SANITATION PROJECT.	ix
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020.....	10
7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020	11
8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020.....	12
9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS	13
10. NOTES TO THE FINANCIAL STATEMENTS	14
11. OTHER IMPORTANT DISCLOSURES.....	21
12. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	21
13. APPENDICES.....	26



Project Name: LAKE VICTORIA WATER AND SANITATION PROJECT

Implementing Entity: LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY

PROJECT GRANT NUMBER CKE 1093 02 M

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30TH, 2020**

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

Lake Victoria Water And Sanitation Project
Reports and Financial Statements For the financial year ended June 30, 2020

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is Lake Victoria Water and Sanitation Project,

Objective: The key objective of the project are:

1. Improve the water resource availability
2. Improvement of the Water Distribution Network
3. Improve the wastewater network coverage and wastewater treatment capacity
4. Develop and strengthen the capacity of key stakeholders
5. Improve the water and sanitation coverage in Informal Settlements by focusing on the areas which have recently developed to ensure proper infrastructures for inhabitants
6. Develop and implement strategy to monitor evolution of water and waste water quality

Address: The project headquarters offices are Lake Victoria South Water Works Development Agency (Kisumu), Kisumu County, Kenya.

The address of its registered office is:

P.O Box 3325-40100
KISUMU

Contacts: The following are the project contacts

Telephone: (254) 572025128
E-mail: info@lvswaterboard.go.ke
Website: www.lvswaterboard.go.ke

1.2 Project Information

Project Start Date:	The project start date is 17 th December 2015
Project End Date:	The project end date is 31 st October 2020
Project Coordinator:	The Project Coordinator is Mr. Paul Agwanda
Project Engineer:	The Project Engineer is Mr. Phelix Okuta
Project Sponsor:	The project sponsor is AFD/EIB/EU-AITF

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Water and Sanitation & Irrigation.
Project number	CKE 1093 02 M
Strategic goals of the project	The strategic goals of the project are as follows: i. To improve water supply and sanitation distribution network in Kisumu

Lake Victoria Water and Sanitation Project
Reports and Financial Statements For the financial year ended June 30, 2020

	<p>City</p> <p>ii. To provide a clear strategy for the city and the whole county on Investments to be conducted, associated costs and priorities.</p> <p>iii. To provide a clear plan for Water Resources, Water and Waste Water Services and infrastructure.</p>
Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <p>(i) Improvement of water and sanitation infrastructure.</p> <p>(ii) Developing of Water Resources and Waste water Master plan in Kisumu County under LVWATSAN Project.</p>
Other important background information of the project	<p>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.</p>
Current situation that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <p>(i) Kisumu City and its environs</p>
Project duration	<p>The project started on 17th December 2015 and is expected to run until 31st October 2020</p>

1.4 Bankers

- (i) The AFD/ financier is the bankers for the current year.

1.5 Auditors

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

1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Eng. George Odedeh	Chief Executive officer	B.Sc. degree in Civil Engineering, M.Sc. and MBA	Accounting Officer
Mr. Paul Agwanda	Engineer Water	B.Sc. degree in Civil Engineering	Project Coordinator
Mr. Phelix Okuta	Engineer Water	B.Sc. degree in Civil Engineering	Project Engineer
Rosemary Chelangat	Chief Accountant	BBM Degree, CPA III	Project Accountant

Lake Victoria Water and Sanitation Project
Reports and Financial Statements For the financial year ended June 30, 2020

1.7 Funding summary

The Project is for duration of five years from 2015 to 2020 with an approved budget of 70.0 Million Euros (use donor currency) equivalent to KShs 8.18 Billion as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date (30.06.2020)		Undrawn balance to date (30.06.2020)	
	Donor currency	KShs	Donor currency	KShs	Donor currency	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant	'000'	'000'				
EU-AITF- European Union African Infrastructure Trust Fund	5,000	584,286	1,095,427	127,240,558	3,904,573	457,045,442
(ii) Loan						
AFD	20,000	2,337,144				
European Investment Bank-EIB	35,000	4,090,002				
(iii) Counterpart funds						
Government of Kenya	10,000	1,168,572				
Total	70,000	8,180,004	1,095,427	127,240,558	3,904,573	457,045,442

1.8 Summary of Overall Project Performance:

-The budget performance is at 21% disbursement at the current year cumulative this is because the project is still at the initial stage and this being the first year of implementation.

-The project is awaiting ground breaking for works being a new project and the tender process for works are being prepared.

-The project is being professionally supervised and hence the City and its environs will benefit from uninterrupted water supply and sanitation network and water resources master plan for future investments hence the project will achieve value for money.

-The implementation challenges are

1. Delay in signing of Loan agreements
2. Slow project implementation especially lengthy procurement hence may delay in achieving of project objectives

1.9 Summary of Project Compliance:

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

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES

Introduction

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

The key development objectives of the project's 2015-2020 plan are to:

- a) To improve water supply and sanitation distribution network in Kisumu City
- b) To provide a clear strategy for the city and the whole county on Investments to be conducted, associated costs and priorities.
- c) To provide a clear plan for Water Resources, Water and Waste Water Services and infrastructure.

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:

Project	Objective	Outcome	Indicator	Performance
KISUMU LVWATSAN PROJECT	To improve water supply and sanitation distribution network in Kisumu City	-Improvement of water and sanitation infrastructure.	Kilometres of distribution network for Water and Sanitation within Kisumu	70km of water distribution pipelines defined and designed. 33km of sewer lines defined and designed.
	To provide a clear strategy for the city and the whole county on Investments to be conducted, associated costs and priorities.	-Developing of Water Resources and Waste water Master plan in Kisumu County.	-Water Resources Masterplan Report -Wastewater Masterplan Report Water Quality Monitoring Report	-Diagnostic Water Resources Masterplan Report -Diagnostic Wastewater Resources Master Plan -Water Quality Monitoring Plan
	To provide a clear plan for Water Resources, Water and Waste Water Services and infrastructure.	-Developing of Water Resources and Waste water Master plan in Kisumu County.	-Feasibility Study for Water Resources Development -Feasibility Study for Otonglo Wastewater Treatment Plant	-Presentation of Scenario for Water Resources to Working Group -Presentation of Scenario Wastewater Management to Working Group

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Kisumu Lvwatsan Project exists to transform lives within Kisumu County. The main purpose of the project is to improve water and sanitation infrastructure and to develop Water Resources and Waste water Master plan in Kisumu County. Below is a brief highlight of our achievements in each pillar.

1. Sustainability strategy and profile-

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

2. Environmental performance

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

3. Employee welfare

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

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

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

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.

***Lake Victoria Water and Sanitation Project
Reports and Financial Statements For the financial year ended June 30, 2020***

Together with the annual departmental workplans and the Government's performance contracting tool enables employees set their targets and eventually evaluated through annual appraisals. The evaluation enables employees of the Agency to be upskilled, helped or otherwise redeployed and upscaled.

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

4. Market place practices-

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

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

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

5. Community Engagements-

In line with the right to Access to Information as enshrined under Article 35 of the COK, the program 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 program management, management of potential conflicts between institutions, integrated planning for LVWATSAN infrastructure and harmonious implementation of LVWATSAN program with other development programs to be executed by other entities e.g. road constructions, harbour improvements

Lake Victoria Water and Sanitation Project

Reports and Financial Statements For the financial year ended June 30, 2020

4. 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, 2020. 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.

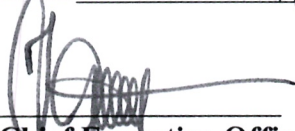
The Chief Executive Officer of Lake Victoria South Water Works Development Agency and the Project Coordinator for Lake Victoria Water and Sanitation project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate 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, 2020, 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.

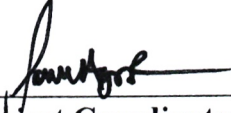
The Chief Executive Officer of Lake Victoria South Water Works Development Agency and the Project Coordinator for Lake Victoria Water and Sanitation project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project 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 Engineer for Lake Victoria Water and Sanitation project on 28/07/2020 2020 and signed by them.



Ag. Chief Executive Officer
Eng. George Odedeh



Project Coordinator
Mr. Paul Agwanda



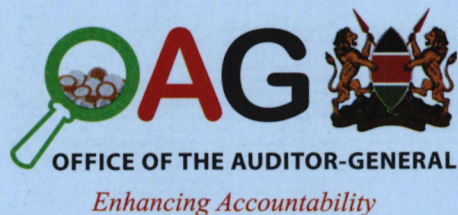
Project Accountant:
Rosemary Chelangat
ICPAK MNO.:6361

Lake Victoria Water and Sanitation Project
Reports and Financial Statements For the financial year ended June 30, 2020

**5. REPORT OF THE INDEPENDENT AUDITORS ON THE LAKE VICTORIA WATER
AND SANITATION PROJECT.**

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON LAKE VICTORIA WATER AND SANITATION PROJECT – NUMBER CONVENTION AFD CKE 1093 02 M FOR THE YEAR ENDED 30 JUNE, 2020 – LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Lake Victoria Water and Sanitation Project Number Convention Agence Francaise De Development (AFD) – CKE1093 02 M as set out on pages 10 to 22, which comprise of the statement of financial assets as at 30 June, 2020, statement of receipts and payments, statement of cash flows and the summary statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Lake Victoria Water and Sanitation Project Number Convention Agence Francaise De Development (AFD) –CKE 1093 02 M as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Grant Financing Agreement No. CKE 1093 02 M dated 17 December, 2015 between Agence Francaise De Development (AFD), the subsidiary Grant Financing Agreement dated 29 July, 2016 and the Republic of Kenya and the Public Finance Management Act, 2012.

In addition, the special account statement present fairly the special accounts transaction and the closing balances has been reconciled with the books of account.

Basis for Opinion

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 Number Convention Agence Francaise De Development (AFD)–CKE1093 02 M

Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, are of most significance in the audit of the financial statements of the current year. There were no key audit matters in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 86,000,000 and Kshs.58,630,470 respectively resulting to an under-funding of Kshs.27,369,530 or 32% of the budget. Similarly, the Project expended Kshs.58,630,470 against an approved budget of Kshs.86,000,000 resulting to an under-expenditure of Kshs.27,369,530 or 32% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Failure to Prepare a Fixed Assets Register

The Management failed to prepare the summary of fixed assets register contrary to the requirements of the Public Sector Accounting Standards Board (PSASB) reporting template released in June, 2020, which requires that a summary of the fixed asset register be provided. The financial statements have not been prepared in accordance with the Accounting Standards as prescribed by the PSASB for the year ended 30 June, 2020.

The Management is therefore in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Agence Francaise De Development Fund (AFD), except for the basis for qualified opinion and other matter section of my report I report based on my audit, that:

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the cash basis of accounting unless Management is aware of the intention to terminate the project or cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness

of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

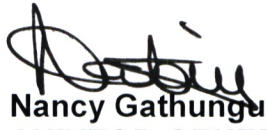
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

04 January, 2021

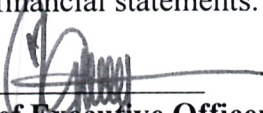
Lake Victoria Water and Sanitation Project

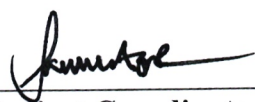
Reports and Financial Statements For the financial year ended June 30, 2020


6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020

	Note	2019/20		2018/19		Cumulative to-date
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payments controlled by the entity	Payments made by third parties	
		KShs	KShs	KShs	KShs	KShs
RECEIPTS						
Transfer from Government entities	8.3	1,369,175		-		1,369,175
Proceeds from domestic and foreign grants	8.4		57,261,295	-	38,169,776	127,240,558
TOTAL RECEIPTS		1,369,197	57,261,295	-	38,169,776	128,609,733
PAYMENTS						
Purchase of goods and services	8.6		57,261,295	-	38,169,776	127,240,558
Acquisition of non-financial assets	8.7	1,369,175		-	-	1,369,175
TOTAL PAYMENTS		1,369,175	57,261,295	-	38,169,776	128,609,733
SURPLUS/(DEFICIT)				-	-	-

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


Chief Executive Officer
 Eng. George Odedeh


Project Coordinator
 Mr. Paul Agwanda

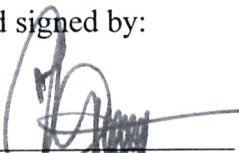

Project Accountant:
 Rosemary Chelangat
 ICPAK MNO.:6361

*Lake Victoria Water and Sanitation Project
Reports and Financial Statements For the financial year ended June 30, 2020*


7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020

	Note	2019/20	2018/19
FINANCIAL ASSETS		KShs	KShs
Cash and Cash Equivalents			
Bank Balances		-	-
Cash Balances	-	-	-
Cash Equivalents (short-term deposits)	-	-	-
Total Cash and Cash Equivalents		-	-
Accounts receivables – Imprest and Advances	-	-	-
TOTAL FINANCIAL ASSETS		-	-
REPRESENTED BY			
Fund balance b/fwd	-	-	-
Prior year adjustments	-	-	-
Surplus/(Deficit) for the year		-	-
NET FINANCIAL POSITION		-	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 28/09/ 2020 and signed by:


AG. Chief Executive Officer
 Eng. George Odedeh


Project Coordinator
 Mr. Paul Agwanda


Project Accountant:
 Rosemary Chelangat
 ICPAK MNO.:6361


Lake Victoria Water and Sanitation Project

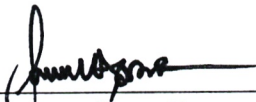
Reports and Financial Statements For the financial year ended June 30, 2020


8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020

		2019/20	2018/19
	Note	KShs	KShs
Receipts for operating activities			
Transfer from Government entities	8.3	1,369,175	-
Proceeds from foreign grants	8.4	57,261,295	38,169,776
		58,630,470	38,169,776
Payments for operating activities			
Purchase of goods and services	8.6/8.7	(58,630,470)	(38,169,776)
Net cash flow from operating activities		-	-
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets			-
Net cash flows from Investing Activities			-
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings			-
Net cash flow from financing activities			-
NET INCREASE IN CASH AND CASH EQUIVALENT			-
Cash and cash equivalent at BEGINNING of the year			-
Cash and cash equivalent at END of the year			-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 28/09/2020 and signed by:


AG. Chief Executive Officer
Eng. George Odede


Project Coordinator
Mr. Paul Agwanda


Project Accountant:
Rosemary Chelangat
ICPAK MNO.:6361

*Lake Victoria Water and Sanitation Project
Reports and Financial Statements For the financial year ended June 30, 2020*

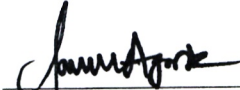
9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS


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 %
Receipts						
Transfer from Government	30,000,000	-	30,000,000	1,369,175	28,630,825	8%
Proceeds from foreign grants	450,000,000	394,000,000	844,000,000	57,261,295	(1,261,295)	102%
Total Receipts	480,000,000		86,000,000	58,630,470	27,369,530	69%
Payments						
<i>Purchase of services:</i>						
I. Consultancy Services	480,000,000	394,000,000	86,000,000	58,630,470	27,369,530	69%
Total Payments	480,000,000	394,000,000	86,000,000	58,630,470	27,369,530	69%

Note:

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


AG. Chief Executive Officer
 Eng. George Odete


Project Coordinator
 Mr. Paul Agwanda


Project Accountant:
 Rosemary Chelangat
 ICPAK MNO.:6361

10. NOTES TO THE FINANCIAL STATEMENTS

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

8.1. Basis of Preparation

8.1.1. Statement of compliance and basis of preparation

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

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

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

8.1.2. Reporting entity

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

8.1.3. Reporting currency

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

8.2. Significant Accounting Policies

a) Recognition of receipts

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

• Transfers from the Exchequer

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

• External Assistance

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations and grants

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

Proceeds from borrowing

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

Undrawn external assistance

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

• **Other receipts**

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

b) Recognition of payments

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

• **Compensation of employees**

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

• **Use of goods and services**

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

• **Interest on borrowing**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

- **Acquisition of fixed assets**

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

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

c) In-kind donations

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

d) Cash and cash equivalents

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

Restriction on cash

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Accounts receivable

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

f) Pending bills

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

g) Budget

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

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

h) Third party payments

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

During the year **Kshs. 57,261,295** being grant disbursements were received in form of direct payments from third parties.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Exchange rate differences

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

j) Comparative figures

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

k) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2020

l) Errors

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

Lake Victoria Water and Sanitation Project
Reports and Financial Statements For the financial year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.3. RECEIPTS FROM GOVERNMENT OF KENYA

There were no receipts from Government which could represent counterpart funding in the period.

	2019/20	2018/19	Cumulative
	KShs	KShs	to-date
<i>Counterpart funding through Ministry Water & Sanitation</i>			
Counterpart funds for the year received	1,369,175	-	1,369,175
Total	1,369,175	-	1,369,175

8.4. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 2020 we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Ex. Rate	Grants received in cash			Grants received in kind	Total amount in KShs	
				KShs	KShs	KSh		FY 2019/20	FY 2018/19
AFD/EIB /AITF	23.07.2019	14,000	116.3056	1,628,278		-	1,628,278	2,529,958	
AFD/EIB /AITF	30.07.2019	317,385	116.8572	37,088,678			37,088,678	23,856,196	
AFD/EIB /AITF	30.07.2019	158,692	116.8572	18,544,339			18,544,339	11,783,621	
Total		490,077		57,261,295		-	57,261,295	38,169,776	

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

8.5. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2020 the Agency did not receive funding from development partners in form of loans negotiated by the National Treasury donors.

Lake Victoria Water and Sanitation Project
Reports and Financial Statements For the financial year ended June 30, 2020
NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.6. PURCHASE OF GOODS AND SERVICES

	Payments made by the Entity in Cash	Payments made by third parties (Kshs)	Total Payments (Kshs)	Total Payments (Kshs)	Total Payments (Kshs)
	FY 2019-2020			FY 2018-2019	Cumulative to date
Services			-		31,809,487
Project Management Consultancy			-	23,856,196	23,856,196
Project Management Consultancy			-	11,783,621	11,783,621
Water Resources and Waste water Master plan in Kisumu County		37,088,678	37,088,678		37,088,678
Water Resources and Waste water Master plan in Kisumu County		18,544,339	18,544,339		18,544,339
Technical Assistance Consultancy		1,628,278	1,628,278	2,529,958	4,158,237
Total		<u>57,261,295</u>	<u>57,261,295</u>	<u>38,169,776</u>	<u>127,240,558</u>

8.7. ACQUISITION OF NON-FINANCIAL ASSETS

	FY 2019/20			FY 2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Program Management Exp.	1,369,175		1,369,175	-	1,369,175
Total	<u>1,369,175</u>	<u>-</u>	<u>1,369,175</u>	<u>-</u>	<u>1,369,175</u>

*Lake Victoria Water and Sanitation Project
Reports and Financial Statements For the financial year ended June 30, 2020*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. OTHER IMPORTANT DISCLOSURES

9.1. Pending Bills

	2019/2020	2018/2019
Supply of services	0	0
Total	0	0

12. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Referenc e No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status :	Time frame:
1	<p>Undrawn Balances Note 1.7 on the funding summary indicates that the Project had received Kshs. 69,979,263 as at 30 June, 2019, leaving a balance of Kshs. 514,306,737 undrawn. On the other hand, Annex 2 on analysis of unutilized funds indicates that the Project had received a total of Kshs. 69,979,263 as at 30 June, 2019 leaving a balance of Kshs. 659,738,898 undrawn. The resultant difference of Kshs. 145,432,161 in respect of the undrawn amount has not been reconciled or explained.</p>	<p><i>Note 1.7 Funding summary explains the Donors position of disbursement as per the finance agreement and the amount disbursed as at end of the period 30th June 2019. By the end of the year only Grants Component had been signed and disbursed amounts were Kshs. 69,979,263 against grant amount of Kshs.584,286,000 leaving a balance of Kshs.514,306,737.</i></p> <p><i>Annex 2 is analysis of unutilized funds as per the individual contract totaling to Kshs. 729,718,161.00. The total contract that had been awarded by the end of the financial year will be paid by grant and loan component i.e for supervising consultant. The Loan component was not included in the funding summary since it was not yet signed. Therefore, the unutilized funds for each contract cannot be the same as the undisbursed funds in the funding summary.</i></p>	Project Coordina tor	Resolv ed	30 th June 2020

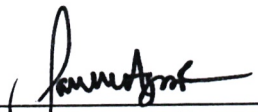
**Lake Victoria Water and Sanitation Project
Reports and Financial Statements For the financial year ended June 30, 2020**

2	<p>Budgetary Performance The statement of the comparative budget and actual amounts for the year end 30 June 2019 reflects actual receipts of Kshs. 38, 169, 776 against budget receipts of Kshs. 165,000,000 resulting in a shortfall of Kshs. 111, 830, 224 or 77% of the Total budget. Similarly, the actual expenditure for the year amounted to Kshs. 38,169,776 against the budget receipts of Kshs. 165,000,000 resulting in an under-expenditure of Kshs. 126,830,227 or 77%. The receipts shortfall and the under-expenditure are attributed to delay in signing of the financial agreement leading to less disbursement of funds. As a result of the large budget deficit, the project management did not implement all programs and work plans fully as approved in budget thus delaying provision of service to Kenyan Citizens.</p>	<p>The implementation of the Project was slowed by the signing of the credit financing agreement.</p> <p>The budget disbursement was also affected by approval of VAT Exemption from the Ministry which was to accompany the advance payments. The Period under review was an election year and the consultant for Master Plan Studies delayed in submitting their first deliverables due to election period and hence affected budget disbursement.</p>	Project Coordinator	Resolved	30 th June 2020
---	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------	----------	----------------------------



 AG. Chief Executive Officer
 28/07/2020

 Date



 Project Coordinator
 28/07/2020

 Date

*Lake Victoria Water and Sanitation Project
Reports and Financial Statements For the financial year ended June 30, 2019*

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	c=a+b	d	e=c-d	f=d/c %	
Receipts					
Transfer from Government	30,000,000	1,369,175	28,630,825	5%	1. The Project was affected by signing of the Loan Component which has delayed.
Proceeds from foreign grants	56,000,000	57,261,295	(1,261,295)	102%	
Total Receipts	86,000,000	58,630,470	27,369,530	68%	
Payments					
<i>Purchase of services:</i>					
i.Consultancy Services for Technical Assistance in Tender process	86,000,000	58,630,470	27,369,530	68%	1. The Project was affected by signing of the Loan Component which has delayed.
Total Payments	86,000,000	58,630,470	27,369,530		

Explain all variance below 90% and above 100%

- (i) Delay in Signing of finance agreements the expected works for the Project did not commence hence less disbursement of funds.
- (ii) The payments was affected by Treasury Circular no...15/2019 on payment of withholding taxes on Consultant invoices.

Lake Victoria Water and Sanitation Project
Reports and Financial Statements For the financial year ended June 30, 2020
ANNEX 2 - ANALYSIS OF SUMMARY OF CONTRACT FUNDS

Supplier of Goods or Services	Original Amount (Tax incl.)	Date Contracted	Amount Paid To-Date	Value Added Tax on Contracts	Outstanding Balance 2020	Outstanding Balance 2019	Comments
					Donor		
	a	b	c		d=a-c		
Supply of services							
i. Consultancy Services for Technical Assistance in Tender process	10,790,594	29.09.2016	8,984,439	1,806,155	-	-	The outstanding on Donor it is uncertified Services
ii. Consultancy Services for Technical Studies, design and Supervisory of works	284,240,025	25.07.2017	26,983,285	-	257,256,740	-	
iii. Consultancy for Master Plan Studies	254,519,012	14.08.2018	55,633,017	-	198,885,995	-	
iv. Consultancy for Project Management	180,168,530	14.08.2018	35,639,817	-	144,528,712	-	
Sub-Total	729,718,161	-	127,240,558	1,806,155	602,477,603	-	
Grand Total							

Note

-The Outstanding balance is the amount that the consultant is still working on the deliverables as the program is continuing. There is no delay on work in progress.

Lake Victoria Water and Sanitation Project
Reports and Financial Statements For the financial year ended June 30, 2020
ANNEX 3 – TRIAL BALANCE SHEET AS AT 30TH JUNE 2020

DESCRIPTION	Notes	DR	CR
		Ksh	Ksh
EIB/AFD/AITF proceeds:			
30.06.2020	8.3		1,369,175
23.07.2019	8.4		1,628,278
30.07.2019	8.4		37,088,678
30.07.2019	8.4		18,544,339
Consultancy Services for Technical Assistance in Tender process	8.6	1,628,278	
Consultancy for Master Plan Studies	8.6	37,088,678	
Consultancy for Master Plan Studies	8.6	18,544,339	
Project Management Expenses	8.7	1,369,175	
TOTAL		58,630,470	58,630,470

*Lake Victoria Water and Sanitation Project
Reports and Financial Statements For the financial year ended June 30, 2020*

13. APPENDICES

- - water production to 45,000m³/day
- Construction of new water treatment plant of capacity 36,000m³/day and other associated works at Kajulu gravity water treatment plant to increase water production to 81,000m³/day
- Construction of 7 No ground water storage reservoirs of combined capacity of 27,000m³ and laying 95Km main water pipelines
- Rehabilitation of Nyalenda waste stabilization ponds to restore waste treatment capacity of 11,000m³/day including expansion and extension of other sewerage systems
- Supply of Operations and Maintenance Equipment including Vehicles (pickups), Mobile workshop, Leak Detection Equipment, JCB Excavator and water meter test bench

The following main gaps emerged after implementation of Kisumu Water Supply and Sanitation Project;

- Inadequate water resources at R. Kibos:** A newly completed 36,000m³/day capacity water treatment works at Kajulu is underutilized due to inadequate river flow. Due to prolonged droughts experienced, the river gets dry and the water operator - KIWASCO sometimes stops the operations of Kajulu plant until the onset of long rains.
- Inadequate Water Distribution Network:** In normal situation when R. Kibos is productive, KIWASCO is able to produce a total of 81,000m³/day from Kajulu and Dunga Treatment Works. However, only about 50% of the capacity can be distributed within the available network due to limited water distribution system.
- Low Sewerage/Sanitation levels:** Despite significant improvement of water supply situation in the town as a result of KWSSP, the sewerage coverage is still less than 20%.
- Capacity of KIWASCO:** Before 2013, KIWASCO offered services within Kisumu city. Due to devolution, KIWASCO has expanded its areas of coverage to include the

*Lake Victoria Water and Sanitation Project
Reports and Financial Statements For the financial year ended June 30, 2020*

entire county of Kisumu. In addition, the company still experiences unsustainable levels of Non-Revenue Water- 41%- 48%.

LVWATSAN PROGRAM

As a result of emerging challenges, a new phase of Kisumu Water and Sanitation project called LVWATSAN has been started. LVWATSAN is earmarked to be financed by French Development Agency (AFD), European Union (EU) and European Investment Bank (EIB).

The proposed interventions under LVWATSAN are;

(a) Water distribution Component: Extension of the water supply network

The project will expand the water supply network targeting areas that are not connected, and future densification areas as identified in the strategic urban development plan financed by the Kisumu Urban Project. Some centres on the outskirts of the city (Maseno, Darajambilii, Ahero), approximately 100,000 additional inhabitants will be covered.

(b) Sanitation/ Sewerage Improvement

This component would also complete the outstanding sewerage works (network 33.5 km) that were not implemented during KWSSP project and would include; augmentation of Nyalenda wastewater stabilization ponds (new maturation ponds), expansion of sewerage network in CBD and eastern estates, implementation of new wastewater treatment at Otongo and sewerage network expansion in western parts – Kisumu International Airport, Kanyamedha, Mamboleo etc and improvement of sanitation in the informal settlements.

(c) Non-Revenue Water Management & Capacity Building

KIWASCO is incurring over 45% Non-Revenue Water (NRW). Technical and commercial losses remain significant. Focus will be reduction of NRW by implementation of proposed NRW reduction strategies, application of GIS for the management of the systems, training and equipment support. The target is to reduce the NRW to 25% by the end of the new project.

(d) Discharge Reliability of River Kibos

Lake Victoria Water and Sanitation Project

Reports and Financial Statements For the financial year ended June 30, 2020

The Lake Water source is much available in quantity but with very poor quality in addition to high energy consumption for pumping. It is therefore expensive. Conversely, the River Kibos water supply system (Kajulu Treatment works) is less polluted, less energy consumption (affordable) but unfortunately low flow yield (unreliable). A water resources master plan study will be conducted to confirm suitability/feasibility of an option to guarantee adequate water for Kajulu Treatment system. A proposal to transfer water from R.Yala to Kibos has been proposed.

Financing of LVWATSAN Program

LVWATSAN project is estimated to cost 90 Million Euros. Presently the **Government of Kenya (GOK), French Development Agency (AFD), European Investment Bank (EIB) and European Union (through Africa Infrastructure Trust Fund)** have committed to finance the project as follows;

	Financier	Type	Amount (Euros)	Status
1	EU-AITF	Grant	5.0 MEUR	Grant Agreement Signed
2	AFD	Loan	20.0MEUR	Negotiation in progress
3	EIB	Loan	35.0MEUR	Negotiation in progress
4	GoK	Grant	10.0MEUR	GOK committed
	Total		70.0MEUR	

Activities to be financed by EU- AITF (grant) are as follows;

S/N°	Consultancy Activities	Budget (Eur)
1	Technical Assistance -Tender Process	76,950.00
2	Technical Assistance - Project Management and Capacity Building for LVWASTAN program	125,000.00
3	Consultancy Services – Feasibility Studies Design, and supervision of Works Package 1&2	1,620,839.00
4	Consultancy Services - Water Resources & Wastewater Master Plan Study and Quality Monitoring	2,350,000.00
5	Technical Assistance - NRW Management and water supply in Informal Settlements	827,211.00
	Grant financing -Total	5,000,000.00

Progress on the LVWATSAN Program in Kisumu

Implementation of LVWATSAN program was launched in December 2015.

Financing Agreements

The following Financing Agreements are applicable in the program;

***Lake Victoria Water and Sanitation Project
Reports and Financial Statements For the financial year ended June 30, 2020***

(a) Grant Agreement between AFD and Government of Kenya

Grant Agreement (EU-AITF grant) between AFD and Government of Kenya was signed on 17th December 2015. Subsidiary Grant agreement between the Government of Kenya (The National Treasury) and Lake Victoria South Water Services Board was signed on 29th July, 2016.

(b) Loan Agreement between AFD and Government of Kenya

AFD has carried out joint Financial Appraisal in February 2016. Draft financing agreement was sent to the National Treasury (NT) for comments. The NT generated comments on the draft financing agreement which LVSWSB has responded to, through Ministry of Water and Sanitation. The financing agreement expected to be signed soon.

(c) Loan Agreement between EIB and Government of Kenya

EIB has carried out Appraisal of the Program. Draft financing agreement was sent by EIB to the National Treasury for comments. The NT sent the submitted draft financing agreement to the Ministry of Water and Sanitation for comments. LVSWSB sent comments on draft FA to Ministry of Water and Sanitation in July, 2018. The financing agreement expected to be signed soon.

Lake Victoria Water and Sanitation Project
Reports and Financial Statements For the financial year ended June 30, 2020
Progress on Activities financed by Grant:

The following procurement activities have been launched with status as follows;

	ACTIVITY	STATUS	Remarks
1	Technical Assistance For Tender Process	TA contract was signed in October 2016 between LVSWBS and SCE, France. The contract is effective and in progress	Most of consultancy activities have been delivered. The only pending deliverable is evaluation report for consultancy for Technical Assistance in NRW Management and water services in informal settlements
2	Project Management and Capacity Building for LVWASTAN program	Consultancy Contract signed between LVSWBS and COWI AS/ Pricewaterhouse Coopers as a sub-consultant Contract negotiation held on 26 th June, 2018 Contract was signed on 14 th August 2018.	Commencement of the assignment is 14 th September 2018. Consultancy duration is 42 months - 16 months full time and 26 months part time
3	Feasibility Studies, Design & Supervision Works Packages 1 & 2	The Tender awarded to BRL in JV with ISEP/SCET Tunisie. Contract signed on 25 th July, 2017	Inception report and draft Feasibility study reports have been submitted to LVSWBS
4	Water Resources And Sewerage Master Plans and Water Quality Monitoring	Tender awarded to BRL in JV with ISEP. Contract negotiations ongoing.	No objection received from AFD on draft contract. Contract to be signed by 31 st August.
5	Technical Assistance - NRW Management and water supply in Informal Settlements	Evaluation ongoing.	

Lake Victoria Water and Sanitation Project
Reports and Financial Statements For the financial year ended June 30, 2019

Works

No works have been commenced yet. The works have been divided into four packages.

Works Package 1 - Priority investments	Improvement of Dunga raw water and water treatment plant
	Distribution network within Kisumu City centre not laid under LTAP Package 1
	Distribution network within informal settlement not laid under LTAP Package 1
	Rehabilitation and Augmentation Works excluded from LTAP for the Existing Nyalenda Wastewater Ponds
	Rehabilitation of approximately 12km of priority existing sewers in Central, Eastern, Manyatta and Milimani
	Installation of new sewers removed due to reduced scope of work under LTAP Package 3
Works Package 2 - Short-Term investments	Additional storage at Watson site, including transmission main to Watson site
	Northern Kisumu - Secondary distribution network from Mamboleo & Obwolo tanks
	Western & Eastern Kisumu - Secondary distribution network from Kanyamedha tank
	Water Supply to Ahero and Koboswa (transmission main, storage and distribution network)
	Water supply to Kiboswa, Darajambili and Maseno (excluding Booster/Pumping Stations)
Works Package 3 - Short-Term investments	New wastewater Collection and Treatment System for Western Part of Kisumu City: sewers and pumping stations
	Waste water treatment works Otonglo
	Installation of new sewers in satellite areas with improved water supply (Mamboleo, Kanyakwar, Kibos, etc.)
Works Package 4- Long Term Water Resource Expansion	<p>This package currently focuses on possibility of bulk water supply transfer from R. Yala Basin into R. Kibos to optimize the recently completed Kajulu Water Supply Treatment Works which operates below capacity due to low river flows at Kibos. Package 4 will be confirmed after carrying out the Master Plan studies on Water Resources for Kisumu City.</p> <p><i>Note; The budget for Works Package 4 is not part of the Investment budget of 70 Million Euros.</i></p>

*Lake Victoria Water and Sanitation Project
Reports and Financial Statements For the financial year ended June 30, 2020*



174

175

176