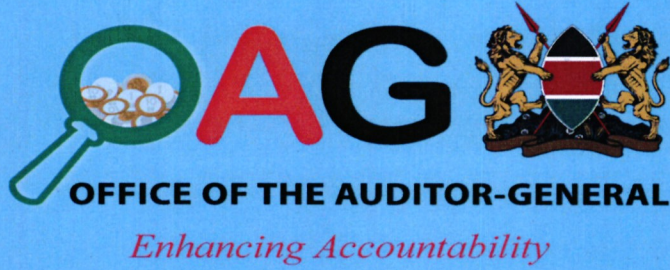


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**REPORT**

DATE: 14 JUN 2023 DAY: WED

TABLED BY: LOMB HDN. KIMANI  
OF ICHUNGWAH, MP  
CLERK OF THE TABLE: RUTH NG'WYU

**THE AUDITOR-GENERAL**

**ON**

**LAKE VICTORIA NORTH WATER WORKS  
DEVELOPMENT AGENCY**

**FOR THE YEAR ENDED  
30 JUNE, 2022**



LAKE VICTORIA NORTH WATER  
WORKS DEVELOPMENT  
AGENCY

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LAKE VICTORIA NORTH WATER WORKS DEVELOPMENT AGENCY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2022

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

*Lake Victoria North Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended 30 June 2022*

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## **1. KEY AGENCY INFORMATION AND MANAGEMENT**

### **(a) Background information**

Lake Victoria North Water Works Development Agency (LVNWWDA) is one of the eight Agencies established through a gazette notice no. 28 dated 26<sup>th</sup> April 2019 under the Water Act 2016, as part of the reforms in the water sector. The repealed Water Act 2002 was replaced by the Water Act 2016, which in compliance with the Constitution, devolved Water Provision function to the County Governments.

Lake Victoria North Water Works Development Agency serves the counties of Bungoma, Kakamega, Vihiga, Busia, Trans-Nzoia, and Nandi. The total coverage area of the Agency's mandate is 15,356 sq. km, with an estimated population of about 7.5 million. Currently, the Agency serves an average of 57% of this population.

### **(b) Principal Activities**

LVNWWDA draws its mandate from the Water Act of 2016. As per the Act, the Agency's mandate include:

- undertake the development, maintenance and management of the national public water works within its area of jurisdiction;
- operate the waterworks and provide water services as a water service provider, until such a time as responsibility for the operation and management of the water works are handed over to a county government, joint committee, authority of county governments or water services provider within whose area of jurisdiction or supply the waterworks is located;
- Provide reserve capacity for purposes of providing water services where pursuant to section 103 of the Act, the Regulatory Agency orders the transfer of water services functions from a defaulting water services provider to another licensee;
- Provide technical services and capacity building to such county governments and water services providers within its area as may be requested; and;
- Provide to the Cabinet Secretary technical support in the discharge of his or her functions under the Constitution and the Water Act 2016.

### **Vision**

Universal Access to Water and Sanitation Services.

### **Mission**

To develop, maintain and manage infrastructure for sustainable water and sanitation services.

### Core Values

- **Integrity:** The organization will endeavour to operate above board in all its operations
- **Quality Services:** The organization will endeavour to provide services that meet the expectations of its customers.
- **Good Governance:** The organization will conduct its affairs in a transparent and accountable manner; and seek stakeholder participation in decision-making process.
- **Team Spirit:** The organization will seek to have an organization built on teamwork and high level of discipline.
- **Environmental Protection:** The organization will remain a committed advocate of sustainable environment in all its dealings

### (c) Key Management

The LVNWWDA'S day-to-day management is under the following key organs:

- Chief Executive Officer
- Chief Manager-Finance and Resource Mobilization
- Chief Manager-Technical Services
- Chief Manager-Internal Audit and Risk Management
- Chief Manager-Corporate Services
- Corporation Secretary

### (d) Fiduciary Management

The key management team who held office during the financial year ended 30<sup>th</sup> June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. CEO	Eng. Gongi S. Peter
2.	Chief Manager Technical Services	Eng. George Odedeh
3.	Corporation Secretary	CS Elizabeth Ngala
4.	Chief Manager Finance& Resource Mobilization	CPA Anthony Kisaka
5.	Chief Manager Internal Audit &Risk Management	CPA Charles Tung'a
6.	Ag. Manager Human Resource & Administration	Edward Luvusi
7.	Ag. Manager Procurement	Joseph Wafula Makari

**(e) Fiduciary Oversight Arrangements**

Ministry of Water & Sanitation- Reviews the budget approved by the board in order to ensure that the Government strategic objectives and policies are incorporated.

Public Investment Committee - The Committee ensures that there is value for money for all projects undertaken by the Board.

State Corporations Advisory Committee (SCAC) - The Committee is mandated to advise the board on the general administration issues.

Inspectorate of State Corporations- Evaluates the results of the board based on the agreed performance targets.

Board of Directors; - Overall oversight and direction of all the board activities, the following are committees of the Board;

- i. Finance and Administration Committee, whose main duties are: - to review financial statements and annual budgets; Financial performance; Strategic planning, annual performance reviews, periodic review of staff remuneration and terms of service; appointments and disciplinary actions for senior staff; and general welfare of the Board's employees.
- ii. Governance, Risk & Audit Committee, whose main duty is to ensure that the systems of internal control are effected and complied to.
- iii. Technical and Environmental Committee, whose focus is on issues arising from LVNWWDA stewardship of essential water infrastructure and has a duty of reviewing the conditions and performance of technical assets including projects. The committee is also tasked with ensuring safeguarding the environment.

**Development partner oversight activities**

For projects funded by external development partners, quarterly reports are submitted. The funds are audited by external auditors appointed by the Development Partners on an annual basis.

**(f) Agency Headquarters**

Kenfinco Complex

Kakemega-Kisumu Road

P.O Box 673 - 50100

**KAKAMEGA**

Tel: 254- 56-30795

Fax: 254-056-31506

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

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

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**(g) Bankers**

Kenya Commercial Bank  
Kakamega Branch  
P.O Box 152 - 50100  
**KAKAMEGA**

Cooperative Bank  
Kakamega Branch  
P.O Box 595- 50100  
**KAKAMEGA**

Standard chartered bank  
Kakamega Branch  
PO BOX 292-50100  
**KAKAMEGA**

**(h) Independent Auditors**

Auditor General  
Office of the Auditor-General  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya

**(i) Principal Legal Adviser**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

**2. THE BOARD OF DIRECTORS FROM 1<sup>ST</sup> JULY 2021 TO 30<sup>TH</sup> JUNE 2022**

**Julius Bakasa Wasike, HSC (Born 6.6.1965) Chairman of the Board**

The Cabinet Secretary appointed him as the Board's Chairman for Water and Sanitation on 7<sup>th</sup> August 2020 as Non- Executive Board Chair of Lake Victoria North Water Works Development Agency. He holds a BA degree in Public Administration and Political Science. He was previously the Director Special Programmes at the County Government of Bungoma.



**Hon. Manyala Keya (Born 15.12.1952), Member of the Board of Directors**

Appointed on 7<sup>th</sup> February 2019, as a Non- Executive director of Lake Victoria North Water Works Development Agency by the Cabinet Secretary for Water and Sanitation. He served as a MP Lurambi Constituency, Kakamega County. He chaired the Governance, Risk & Audit Committee and was a member of Technical and Environmental Committee of the Board during his tenure. His term expired on 6<sup>th</sup> February 2022.



**Mediatrice Wangira (Born 23.11.1971), Member of the Board of Directors**

The Cabinet Secretary appointed her on 7<sup>th</sup> February 2019 as a Non- Executive director of Lake Victoria North Water Works Development Agency for Water and Sanitation. She holds an MBA in Human Resources Management and Industrial Relations and BA degree in Administration, post graduate diploma in human resource management, post graduate diploma in project management and chartered diploma in personnel skills development. During her tenure, she the Chairperson of Technical and Environmental Committee and also a member of Governance, Risk and Audit committee. Her term expired on 6<sup>th</sup> February 2022.



**Zipporah Kaari Matasi (Born 24.12.1961), Member of the Board of Directors and Chairperson Governance, Audit and Risk Committee**

She was appointed as a Non- Executive director of Lake Victoria North Water Works Development Agency on 6th October 2021. She holds a Master's in Project Management from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Post graduate Diploma in project Management from DALC College, Bachelor of Commerce degree, Accounting option from the University of Nairobi. Previous engagements include Director health administration services at the County Government of Trans Nzoia, a trustee at the coffee development fund among others. She is the Chairperson of the Governance, Audit and Risk Committee and a member of Technical & Environmental Committee.



**Anne Desma Chimoso Chilande (Born 11.05.1981), Member of the Board of Directors and Chairperson Technical & Environmental Committee**

She was appointed as a Non- Executive director of Lake Victoria North Water Works Development Agency on 6th October 2021. She holds BA counselling psychology degree, Diploma counselling psychology, Diploma social work and community development, Advanced diploma biblical studies, Diploma in water resources and management, A Trainer of Trainers, certificate in disaster risk reduction and emergency preparedness and response. She is also a Disaster risk reduction ambassador recognized by worldwide encouragement society. She is a founder of Rethink Mental health care Kenya (closing gaps in mental health issues and co- founder western partners' empowerment link community based organization. Previous engagements include Director at NGO funded by compassion international and accountant in the same organization. She is the Chairperson of the Technical & Environmental Committee and a member of Governance, Audit and Risk Committee.



**Mr. Paul Asele (Born 1.10.1962) – Member, of the Board of Directors**

Mr. Paul Asele is the Principal Secretary, Ministry of Water, Sanitation and Irrigation’s representative to the Agency from 28<sup>th</sup> July 2021. He has over 30 years’ experience in the public sector having worked in various Government Ministries including Planning, Education, Home Affair, State Law Office, National Police Service and Regional Development. Has wide Knowledge and experience in strategic planning, budgeting, performance management, project monitoring and evaluation.

He is the Director Economic Planning at the Ministry responsible for projects monitoring and evaluation, co-convening of Medium-Term Expenditure Framework Budget process and Performance management. He holds a Bachelors of Arts degree in Economics and Master’s degree in Economics from the University of Nairobi. He has also attended several courses, seminars, workshops and training locally and internationally. Prior to his appointment Mrs. Rose Nyakwana served in the same position from 28<sup>th</sup> June 2018 to 27<sup>th</sup> July 2021. He is a member of Finance and Administration Committee, Governance Risk and Audit Committee and Technical and Environmental Committee.



**Samuel Kipkoech Kiptorus (Born 18.2.1968) - Member of the Board of Directors and Chairman Finance & Administration Committee**

He was appointed on 5<sup>th</sup> May 2021 as a Non- Executive director to represent PS, National Treasury. Director Samuel Kiptorus is a Senior Deputy Director in National Treasury and Planning, an Alternate Director at Lake Victoria North Water Works Development Agency and Minerals Rights Board. Previously he was an alternate director in ICT Authority and Maseno University Council. He holds a Masters in Arts degree from the University of Dar-es-salaam and Bachelors of Arts degree from the University of Nairobi. He is the Chairman Finance & Administration Committee.



**Eng. Samson Peter Gongi (Born 14.12.1963) -Ag. Chief Executive Officer**

He was appointed the Acting Chief Executive Officer of Lake Victoria North Water Works Development Agency on 14<sup>th</sup> July 2021. He holds a Master's degree in Environmental Engineering and Management from Jomo Kenyatta University of Agriculture and Technology 2016 and a Bachelor of Science in Agricultural Engineering from the University of Nairobi 1989.

He has over 30 years working experience in the Public Sector which include 3 years as Director of Irrigation and Drainage in the Ministry of Water Sanitation & Irrigation, 3 years working as Provincial Irrigation Officer Central Province, 10 years designing and implementation of irrigation projects and Earth Dams and 15 years in Management of Agricultural Machinery and Development of Agricultural equipment. He is a registered professional Engineer with Engineers Board of Kenya and a Corporate member with Kenya Institute of Engineers. Trained in various fields including; Strategic leadership & Management; Senior Management; Irrigation design and Implementation; Design of Small dams & Water Pans; Management of Agricultural Machinery; Soil and Water Conservation etc. Prior to his appointment.

He replaced Mr. Daniel Koech Bundotich who served in the same position from 14<sup>th</sup> September 2020 to 13<sup>th</sup> July 2021. He is a member of Finance and Administration Committee and Technical and Environmental Committee.



**CS Elizabeth Ngala (Born 27.8.1977), Corporation Secretary**

She was appointed on 2<sup>nd</sup> May 2016 as the Corporation secretary. She holds a Bachelor's of Laws (LLB) Hons. Degree, a Post Graduate Diploma in Law, and CPA Graduate. Elizabeth is an advocate of the High Court of Kenya. She is a Certified Public Secretary registered with the Institute of Certified Public Secretaries of Kenya. She is a Member of Law Society of Kenya. Elizabeth has wide experience in Legal, company secretarial and corporate governance having served in both private and public sectors. She is responsible for providing guidance and support to the Board and driving the corporate governance agenda.



### 3. SENIOR MANAGEMENT TEAM

1. **Eng. Samson Peter Gongi - Born 14.12.1963**



#### **Ag. Chief Executive Officer**

He was appointed the Acting Chief Executive Officer of Lake Victoria North Water Works Development Agency on 14<sup>th</sup> July 2021. He holds a Master's degree in Environmental Engineering and Management from Jomo Kenyatta University of Agriculture and Technology 2016 and a Bachelor of Science in Agricultural Engineering from the University of Nairobi 1989.

He has over 30 years working experience in the Public Sector which include 3 years as Director of Irrigation and Drainage in the Ministry of Water Sanitation & Irrigation, 3 years working as Provincial Irrigation Officer Central Province, 10 years designing and implementation of irrigation projects and Earth Dams and 15 years in Management of Agricultural Machinery and Development of Agricultural equipment. He is a registered professional Engineer with Engineers Board of Kenya and a Corporate member with Kenya Institute of Engineers. Trained in various fields including; Strategic leadership & Management; Senior Management; Irrigation design and Implementation; Design of Small dams & Water Pans; Management of Agricultural Machinery; Soil and Water Conservation etc. Prior to his appointment.

He replaced Mr. Daniel Koech Bundotich who served in the same position from 14<sup>th</sup> September 2020 to 13<sup>th</sup> July 2021.

**2. CPA Anthony Kisaka - Born 1979**



**Chief Manager Finance and Strategy**

He is a Certified Public accountant and he holds a B.com and an MBA from University of Nairobi. He is a financial management and accounting professional with over 15 years extensive experience in financial planning, analysis, reporting, resource mobilization and Strategic planning.

He heads the Finance and strategy department.

**3. Eng. George Odedeh – Born 1968**



**Chief Manager Technical Services**

He holds a Masters of Business Administration and BSc Civil Engineering from the University of Nairobi.

Registered with Engineers Board of Kenya and Corporate member of the Institution of Engineers of Kenya.

He has 26 years professional experience in designs, supervision and management of water and sanitation systems.

He heads the Infrastructure Development Department.

**4. Edward Luvusi**






**Ag. Manager Human Resource and Administration**

Mr. Luvusi holds a Bachelor of Arts Degree and a post graduate Higher Diploma in Human Resource Management.

He has over 28 years' experience in human resource management.

Mr. Luvusi is a member of Institute of Human Resource Management.

<p>5. CPA Charles Tung'a - Born 1979</p> 	<p><b>Chief Manager Internal Audit &amp; Risk Management</b></p> <p>He heads the Internal audit and Risk Management Department having joined the Agency on 01/10/2018. He holds an MBA &amp; B-com in Finance from The University of Nairobi and is a CPA(K) and an active member of ICPAK, IIA&amp; KIM.</p> <p>He has over five years' experience from the Public Sector and over fourteen years from the Private sector. He has is a trainer with a bias in governance, internal audit, risk management and public finance management.</p>
<p>6. Mr Joseph Makari</p> 	<p><b>Ag. Manager Procurement</b></p> <p>He holds a Bachelor of business management – purchasing and supplies.</p> <p>He heads the procurement section in an acting capacity.</p>
<p>7. CS Elizabeth Ngala - Born 1977</p> 	<p><b>Corporation Secretary</b></p> <p>She was appointed on 2<sup>nd</sup> May 2016 as the Corporation secretary. She holds a Bachelor's of Laws (LLB) Hons. Degree, a Post Graduate Diploma in Law, and CPA Graduate. Elizabeth is an advocate of the High Court of Kenya. She is a Certified Public Secretary registered with the Institute of Certified Public Secretaries of Kenya. She is a Member of Law Society of Kenya. Elizabeth has wide experience in Legal, company secretarial and corporate governance having served in both private and public sectors. She is responsible for providing guidance and support to the Board and driving the corporate governance agenda.</p>

#### **4. CHAIRMAN'S STATEMENT**



I am pleased to present to you the Lake Victoria North Water Works Development Agency Financial Report for the year ended 30<sup>th</sup> June 2022. This was indeed a very good year for the Agency as is reflected in the ongoing infrastructural growth momentum, and progress made towards establishing LVNWWDA as a critical player in the provision of water and sanitation services in its areas of jurisdiction. Lake Victoria North Water Works Development Agency (LVNWWDA) is one of the Nine Water Works Development Agencies established under the Water Act 2016, Legal notice No. 28 of 26<sup>th</sup> April, 2019 amended with variations and modifications made through Legal Notice No. 5 of 4<sup>th</sup> February, 2020 as part of the reforms which sought to improve governance and service provision in the water sector. The mandate for the Agency is to undertake the development, maintenance and management of the national public water works within its area of jurisdiction which comprise six (6) counties of Bungoma, Kakamega, Vihiga, Busia, Trans - Nzoia, and Nandi.

In undertaking our activities as per the Agency's mandate, we are guided by a five-year Strategic Plan for the Period 2019-2024, the Water Act 2016 and the Constitution of Kenya 2010. The Constitution places water services provision function under the county governments, leaving Major infrastructural developments within the purview of the national government.

During the period under review, the Agency continued with its infrastructural investments programmes geared towards expanding service provision to our people in order to keep up with the growing demand for our services.

In the period under review, many new water supplies were completed and a number of old ones rehabilitated and operationalised. The majority of these were implemented under the KOICA and Belgium programme financed by the Government of Korea and the Belgium Government together with the Government of Kenya. In addition, there were a number of small water supplies, boreholes, shallow wells and dams financed by the national government which were also operationalised during the period. The bulk of these small water supply projects funded by the national government majorly target the rural population which apparently form the bulk of our stakeholders.

The enormous success as is depicted in this statement is attributable to the sound corporate governance and management infrastructure at the Agency. I thank the Government of Kenya through the Ministry of Water, Sanitation and Irrigation, our development partners and other stakeholders for their support and co-operation during the period. Finally, I also thank the Board of Directors for their continued commitment and support for providing the necessary oversight that has steered LVNWWDA in the right direction; the Management and staff for their dedication and hard work without which this exemplary performance could not have been achieved. I look forward to continued support as we look forward to expanding the access to adequate, quality and affordable water and sanitation services within our area of service.

**Julius Bakasa Wasike, HSC**

**Chairman of the Board**

**Lake Victoria North Water Works Development Agency**

## **5. REPORT OF THE CHIEF EXECUTIVE OFFICER**



The financial year ending 30<sup>th</sup> June 2022 was one of the most successful in the history of Lake Victoria North Water Works Development Agency, as can be seen in the Financial Report.

This year saw the completion of a number of major water supply projects in various locations within the Agency area with financial support from our various development partners including the KOICA (Korea), Belgium Government, African Development Bank (AfDB) and the Republic of Kenya through the Ministry of Water, Sanitation and Irrigation. The Agency plans to improve water and services coverage by increasing access to potable water from 57% to 70% and increasing sanitation coverage from 33% to 40%, respectively. This will be achieved through expansions and rehabilitation of various water supply and sewerage systems across six counties.

In Vihiga County, The Agency completed the implementation of Vihiga Cluster Water Supply Project at a cost of about Ksh. 2 Billion. The Belgium-Funded project was constructed in Maseno, Kaimosi, Luanda, Emuhaya and Mbale for a combined additional capacity 12,500 m<sup>3</sup>/day to add to the currently operational 4,100 m<sup>3</sup>/day capacity. The project, which is currently operational, will serve a population of about 394,000 by the year 2033. The Agency has requested for funds to implement Last Mile Connectivity project to enhance connectivity of the bulk water supply. Vihiga County Government has also earmarked for implementation of sewerage projects in the areas of Luanda, Maseno, Chavakali, Mbale, Kaimosi and Cheptulu - if funding is availed through The National Government.

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In Kakamega County, feasibility and tendering is ongoing for Kakamega -Bungoma Bulk Water Supply and if funding is availed design process would commence within the Financial Year. Commencement of works is expected within the current FY for Malava town water supply, Moi's Bridge - Matunda water supply capacity and Improvement of Kakamega distribution, reticulation and customer connection (LMC). The Agency also has plans for a New Waste Water System in Mumias town. In Busia County, the Agency is overseeing implementation of the AfDB-funded Malaba Sanitation Project to be completed by December 2021, and Malaba Water Project (to be completed by October 2022) – all to serve a population of about 200,000 people. Further, designs are ready for construction of Busia Water Supply based on Mt Elgon gravity scheme and Port Victoria - Sisenye & Ruambwa water supply projects, upon funding allocation.

In Bungoma County, the Agency has commenced implementation the Korean-funded Chepyuk-Kibabii Water Supply Project for a cost of KSh. 400 Million to benefit about 60,000 people. The project is being implemented alongside County Government of Bungoma as a key partner. Other projects designed for Bungoma County and awaiting funding include Webuye -Kakuywa water supply system, Bungoma-Kibabii Sewerage. The county will also majorly benefit from the planned Kakamega-Bungoma Bulk Water Supply Project. For Nandi County, The Agency, will take over and run implementation of the on-going Nandi-Kilgoris Water Supply for Nandi South region under AfDB programme. A study has also been conducted on sewerage system in Kapsabet awaiting funding. The Agency, together with the Ministry of Water and Irrigation further plans to kick off implementation process for Kebedam Water Supply System which will supply water to Kapsabet and other towns. In Trans Nzoia County, the Agency has conducted studies for Kitale sewerage project awaiting funding from The National Government.

We will continue to work in partnership with all our stakeholders to ensure that the goals and aspirations set out in the Strategic Plan are achieved in an efficient and prudent manner.

**Eng. Gongi S. P.**  
**Ag. Chief Executive Officer**  
**Lake Victoria North Water Works Development Agency**

## **6. CORPORATE GOVERNANCE STATEMENT**

The Lake Victoria North Water Works Development Agency Board is committed to the values and principles of good corporate governance. The Board of Directors and Management of the Agency regard corporate governance as pivotal to the success of the Board and are committed to ensuring that the Board adheres to the highest standards of conduct and accountability in accordance with the best practice and principles of corporate governance. These principles are applied throughout all levels of the corporation.

In the financial year under review, we continued to achieve high levels of corporate governance by focusing on the following areas:

- i. Continuing to implement our strategy for the long-term prosperity of the agency;
- ii. Timely and relevant disclosures and financial reporting to our stakeholder for a clear understanding of our operations and performance;
- iii. Ensuring execution of strong audit procedures, audit independence and continuously enforcing strong internationally recognised accounting principles;
- iv. Focus on clearly defined board and management duties and responsibilities;
- v. Enhancing directors' competencies through induction for directors and on-going trainings for all directors;
- vi. Focusing on compliance with relevant laws and upholding the highest levels of integrity in the organization's culture and practices.

### **Board charter**

The Board Charter is critical to the agency's governance framework, and offers guidance on matters including but not limited to the following;

The separation of the roles, functions, responsibilities and powers of the Board and its individual members; Powers delegated to the Board committees; Matters reserved for final decision-making and approval by the Board;

Policies and practices of the Board on matters of corporate governance, directors' declarations and conflict of interest, conduct of Board and Board committee meetings; and induction, ongoing training and performance evaluation of the Board and its committees.

The Charter is not a substitute or a replacement of any laws and regulations that govern the running of the company.

### **The role and responsibilities of the Board**

The primary role of the Board remains to guide the agency towards sustainable long-term success through the exercise of objective and informed judgement in determining the strategy of the company, having the best team in place to execute that strategy, monitoring business performance and maintaining an effective framework of controls to mitigate risks facing the business.

The Board of Directors collectively determine the Board's mission, vision, purpose, core values, set strategy, approve organization structure and policies, monitor the attainment of board's objectives to meet its obligations to stakeholders and enhance its corporate image.

Directors are also responsible for overseeing the Board's assets and ensure reliability of financial information, guarantee adequate internal control systems designed to safeguard the Board's assets, appointment of senior management and ensuring effective communication with stakeholders.

### **Separation of powers and duties of the chairman and the chief executive officer (CEO)**

The separation of the functions of the chairman (a non-executive director) and the CEO (executive director) supports and ensures the independence of the board and management. The balance of power, increased accountability, clear definition of responsibilities and improved decision-making are attained through a clear distinction between the non-executive and executive roles. The chairman's responsibilities include the operation, leadership and governance of the Board. The chief executive officer's roles and responsibilities remains the day-to-day management of the company's business and overseeing the implementation of strategy and policies approved by the Board.

### **How the Board works**

The Board is solely responsible for its agenda. However, it is the responsibility of the chairman and the corporation secretary, working closely with the chief executive officer, to come up with the annual Board work plan and an agenda for the board meetings.

The Board meets at least four times a year and the meetings are structured in a way that allows for open discussions.

Comprehensive Board papers are prepared and circulated to all directors for all substantive agenda items at least ten days prior to the meeting. This allows time for the directors to undertake an appropriate review of the Board papers to facilitate full and effective discussions at the meetings. The submissions and notification period may be waived should any urgent and critical matters arise within the ten-day period to the date of the meeting.

Members of the senior management team may be invited to attend the Board meetings if deemed necessary to make presentations on their areas of responsibility. This serves as an opportunity to give the directors greater insights into their business areas.

The directors are responsible for ensuring that the business strategies proposed are fully discussed, critically reviewed and appropriate directive given. This enables the directors to promote the success of the Agency for the benefit of its stakeholders, with consideration of, among other matters, the interests of employees, the fostering of relationships with stakeholders.

### **Board Committees**

In line with guidelines issued by the Government, the Board has delegated its authority to committees to deal with specific aspects of its responsibilities. These committees have specific terms of reference and reports to the full Board meeting. LVNWWDA has the following Board committees: -

- i. Finance and Administration Committee, whose main duties are: - To review financial statements, annual budgets, Procurement Plan, staff remuneration and terms of service; appointments and disciplinary actions for senior staff; general welfare of the Board's employees, legal compliance, ICT and corporate affairs. The Committee held six (6) ordinary meetings. Further, the Board is authorized by Mwongozo, code of governance to constitute special committees to deal with specific matters for a defined term period but retains oversight authority over such committees. The Board mandated the committee to hold two (2) special meetings during the financial year.

S/NO	NAME OF DIRECTOR	NUMBER OF ORDINARY MEETINGS	MEETINGS ATTENDED	NUMBER OF SPECIAL MEETINGS	MEETINGS ATTENDED
1.	Samuel K. Kiptorus	6	6	2	2
2.	Rose Nyakwana	6	1	2	0
3.	Wangira Mediatrice	6	4	2	1
4.	Daniel Koech Bundotich	6	1	2	0
5.	Eng. Samson Peter Gongi	6	6	2	2
6.	Paul Asele	6	5	2	2
7.	Anne Desma Chilande	6	0	2	1

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- ii. Governance, Risk and Audit Committee, whose main duty is, risk management and to ensure that the systems of internal control are effective and complied with. The Committee held four (4) ordinary meetings during the financial year.

S/NO	NAME OF DIRECTOR	TOTAL NUMBER OF MEETINGS	MEETINGS ATTENDED
1.	Hon. Manyala Keya	4	3
2.	Samuel Kiptorus	4	4
3.	Rose Nyakwana	4	1
4.	Paul Asele	4	3
5.	Zipporah Kaari Matasi	4	1
6.	Anne Desma C. Chilande	4	1

- iii. Technical and Environmental Committee, whose focus is on issues arising from the Agency's stewardship of essential water infrastructure and has a duty of reviewing the conditions and performance of technical assets including projects. The committee is also tasked with safeguarding the environment. The Committee held four (4) ordinary meetings during the financial year.

S/NO	NAME OF DIRECTOR	TOTAL NUMBER OF MEETINGS	MEETINGS ATTENDED
1.	Mediatrice Wangira	4	3
2.	Hon. Manyala Keya	4	3
4.	Paul Asele	4	4
5.	Zipporah Kaari Matasi	4	2
6.	Anne Desma C. Chilande	4	2
7.	Eng. Samson Peter Gongi	4	4

**Full Board**

The Board of Directors held Six (6) ordinary meetings and one (1) special board meeting attended by the directors in strict compliance with Mwongozo and applicable Laws. The meetings of the Board are tabulated in the tables below.

Lake Victoria North Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended 30 June 2022

S/NO	NAME OF DIRECTOR	NO. OF FULL BOARD MEETINGS	FULL BOARD MEETINGS ATTENDED	NO. OF SPECIAL FULL BOARD MEETINGS	SPECIAL FULL BOARD MEETINGS ATTENDED
1)	Hon. Julius Bakasa Wasike	6	6	3	3
2)	Hon. Manyala Keya	6	4	3	2
3)	Mediatrice Wangira	6	4	3	2
4)	Rose Nyakwana	6	1	3	1
5)	Paul Asele	6	5	3	2
6)	Samuel Kiptorus	6	6	3	3
7)	Daniel Koech Bundotich	6	1	3	1
8)	Eng. Samson Peter Gongi	6	6	3	3
9)	Zipporah Kaari Matasi	6	3	3	2
10)	Anne Desma C. Chilande	6	3	3	2

**Role of the Corporation Secretary**

Providing a central source of guidance and advice to the Board, and the agency, on matters of statutory and regulatory compliance and good governance;

Providing the Board and the directors individually with guidance on how their responsibilities should be discharged in the best interests of the Agency;

Facilitating the induction training of new directors and assisting with the directors' professional development as required. This includes identifying and facilitating continuous board education;

In consultation with the CEO and the chairman, ensuring effective flow of information within the Board and its committees and between senior management and non-executive directors. This includes timely compilation and distribution of board papers and minutes.

Guiding the Agency in taking the initiative to not only disclose corporate governance matters as required by law, but also information of material importance to decision-making by stakeholders;

Keeping formal records of Board discussions and following up on the timely execution of agreed actions.

### **Conflict of Interest**

The directors are obligated to fully disclose to the Board any real or potential conflict of interest, which comes to any director's attention, whether direct or indirect. The statutory duty to avoid situations in which the directors have or may have interests that conflict with those of the Agency has been observed by the Board in the financial year under review.

All business transactions with all parties, directors or their related parties are carried out at arm's length. An acknowledgement that should it come to the attention of a director that a matter concerning the Agency may result in a conflict of interest, obligates the director to declare the same and exclude himself / herself from any discussion or decision over the matter in question.

### **Appointment and removal of directors**

The appointments of the Board members and removal are as provided for under the Water Act, 2016 Section 66(1) and the First Schedule.

The Corporation Secretary ensures that a record of the appointment letter, gazette notice and written acceptance by the Board member are kept in the personal file of the Board member

### **Ethics and conduct**

The Agency's directors and employees are expected to act with honesty, integrity and fairness in all their dealings with one another and with stakeholders and to respect the diverse cultures of the Kenyan people. The Agency has a code of conduct that binds both directors and employees. When joining the Agency, every employee is provided with a copy of the code and must commit to abide by its requirements as part of the employment contract.

### **Succession plan**

The Cabinet Secretary, Ministry of Water and Sanitation following the advice from State Corporation Advisory Committee (SCAC) is responsible for ensuring there is a succession plan in appointment and renewal of term of members of the Board. An update on the composition of the Board of Directors, expiry of their respective terms appointments is send to the Ministry of Water and Sanitation and SCAC periodically to ensure timely replacement of Board members.

**Whistle blowing policy**

The Agency has a whistle blowing policy that provides for reporting of unethical practises without fear of retaliation from the suspected individuals.

The whistleblowing policy provides a platform for employees, suppliers, contractors and other stakeholders to raise concerns regarding any suspected wrong doing, and the policy details how such concerns are addressed.

**Board induction and training**

Board members undergo regular training and education to enable them fulfil their responsibilities. All Board members receive an induction upon joining. This provides an overview of the company, new developments in the environment in which the company operates, accounting and financial reporting developments, as well as any regulatory changes.

**Board Evaluation**

The Board undertakes an annual evaluation of its performance as an entity, its committees, the chairman and each individual director. This is aimed at enabling the Board and its members and the committees to gauge their performance and identify areas of improvement. State Corporation Advisory Committee (SCAC) facilitates the process.

**Board remuneration**

Remuneration of Board members is guided by relevant government circulars which recommend payment of allowances. The Board's chairman is paid monthly Honorarium.

**7. MANAGEMENT DISCUSSION AND ANALYSIS**

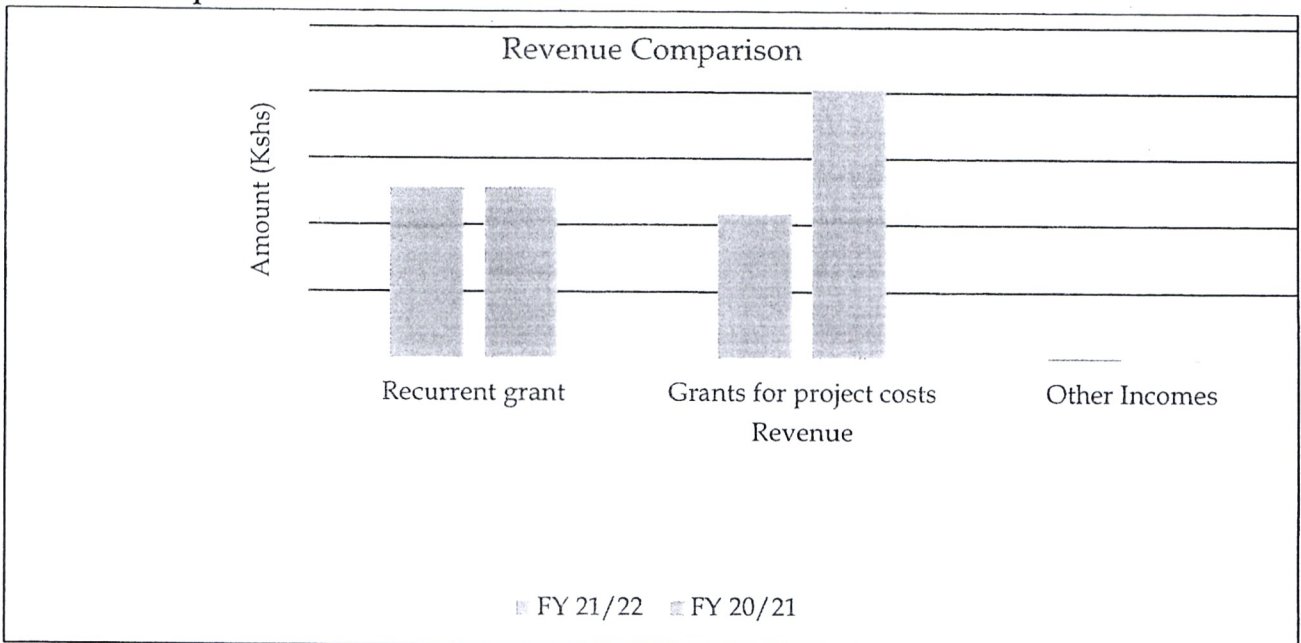
**Financial Performance**

During the 2021/22 FY, LVNWWDA received an allocation of Kshs 528 million and received a total of Kshs. 236 million from the Ministry of Water, Sanitation and Irrigation broken down into Kshs 128 million recurrent and Kshs. 108 million Development. The difference between the allocated and received being amounts cut through supplementary budgets. The Agency also received Kshs. 29 million from Water Service Providers being loan repayment and settlement of levy arrears.

The entity also earned Kshs 1,730,944 being miscellaneous income.

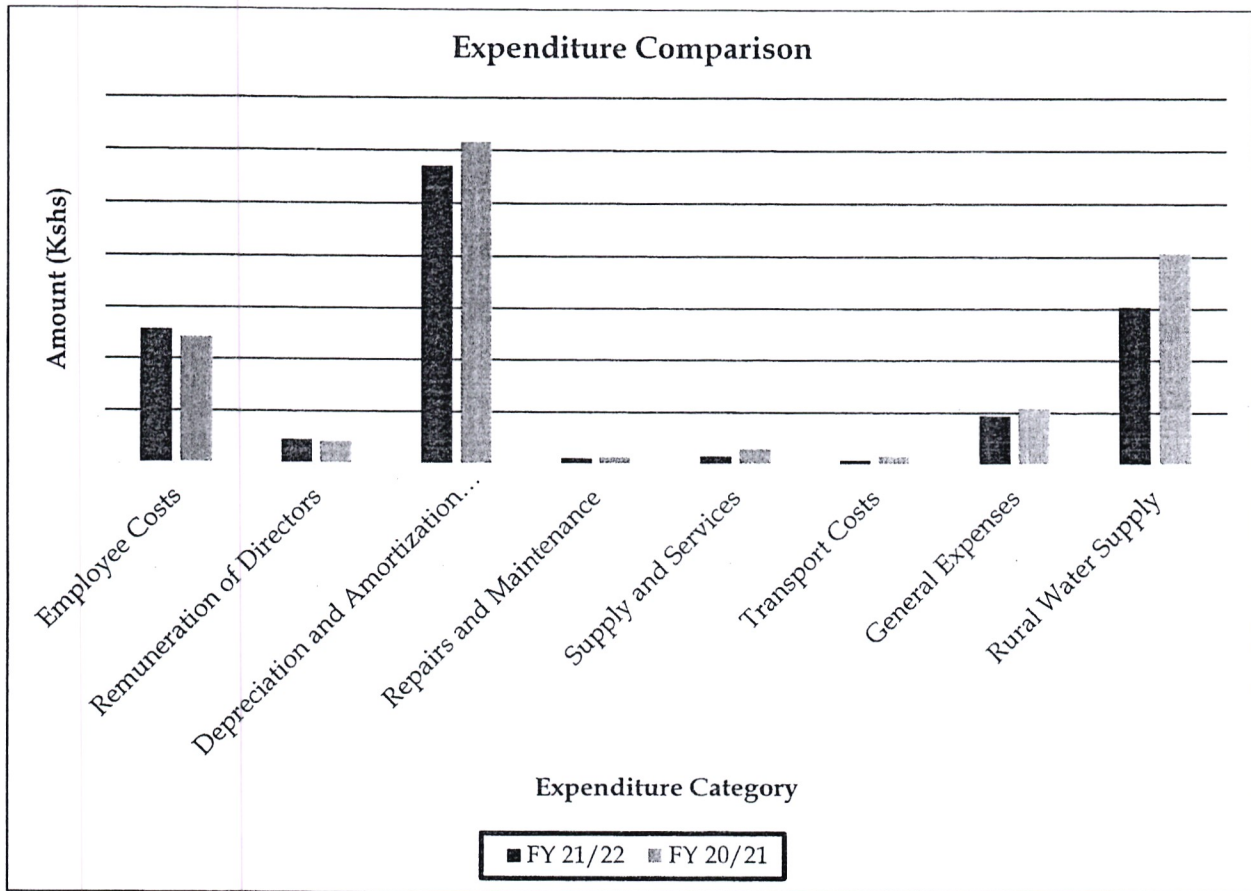
The total income for the year was Kshs 298,077,655 against an expenditure of Ksh 368,477,209 before depreciation. LVNWWDA transferred a total deficit of Kshs 355,851,964 after incorporating depreciation, interest due and provisions.

**Revenue comparison**



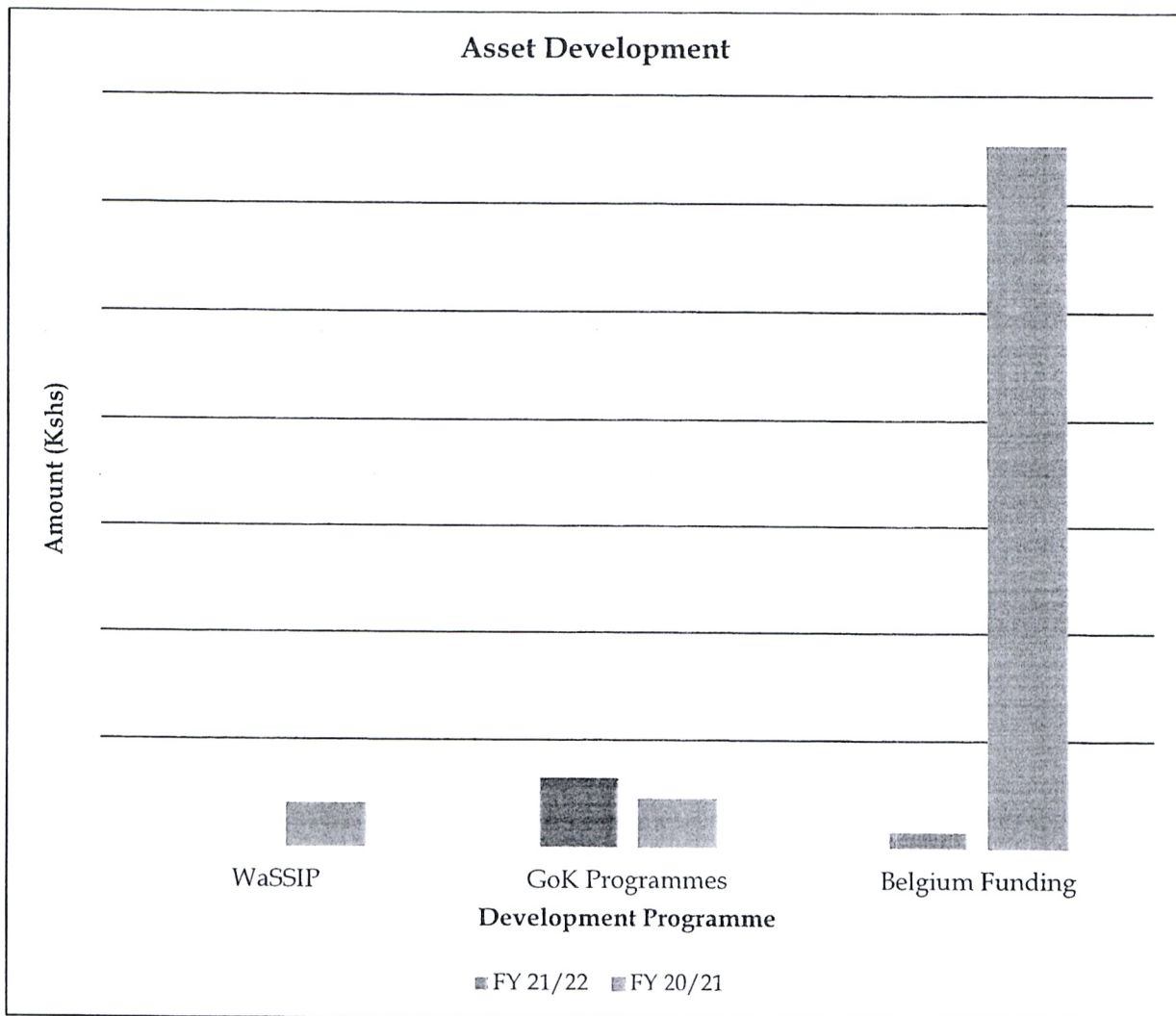
**Expenditure comparison**

The chart below gives a breakdown of the expenditure comparison for the years 2020/21 and 2021/22:



**Asset development**

LVNWWDA developed assets worth Kshs 40,537,590 in the 2021/22 FY most of which are in work in progress. The chart below gives a breakdown of capital works in progress during the year;



**Major Risks**

LVNWWDA is faced with the following risks:

- i) Liquidity risks due to non-repayments of loans by WSPs.
- ii) Delays in receipt of projected revenues
- iii) Delays in project execution

### **Projects implemented or were ongoing in the year**

Developing innovative and sustainable water services solutions that transform life and inspire progress underpins our corporate mission. In the period under review, and as part of implementation of our strategic plan, LVNWWDA continued to implement the following key projects, during the 2021/2022 FY:

- i. Vihiga Cluster Water Project
- ii. Sirisia – Chwele (KOICA II – Chepyuk-Kibabii Complex) Water Supply project
- iii. Malava Water Supply projects

### **Compliance with statutory requirements**

The regulatory environment remains an area of significance to our operations. LVNWWDA continued to ensure compliance with Constitution of Kenya 2010 (CoK 2010), the PFM Act, the State Corporations Act, the Water Act 2016 and all the relevant government circulars as issued from time to time. All the statutory deductions and other requirements were submitted to the relevant authorities in time.

### **Key challenges**

LVNWWDA continued the implementation of its running projects amidst of several challenges including:

- i. Inadequate budgetary allocations and budget cuts without further reference to ourselves which resulted to low disbursement in the year
- ii. Cash flow challenges owing to delayed remittances from the Ministry of Water and Sanitation
- iii. Non-remittance by WSPs of the amounts owed by them.
- iv. Staff shortages as a result of staff seconded to sister Agencies.

## **8. ENVIRONMENT AND SUSTAINABILITY REPORTING**

### **Introduction**

Sustainable development is all about ensuring a better quality of life for everyone, now and for generations to come. This can be achieved through the three strands of social equity which recognizes the needs of everyone, maintenance of stable levels of economic growth and employment, and using natural resources prudently, whilst protecting, and if possible enhancing, the environment. Sustainable or ecological development is a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are made consistent with the future as well as present needs".

Sustainability requires continuous technological, economic and social progress of continuous improvement that respects the limits of the Earth's ecosystems, and meets the needs and aspirations of everyone for a better quality of life, now and for future generations to come. Lake Victoria North Water Works Development Agency commits to meeting our stakeholder's present and future requirements through a collaborative culture, which provides the capability to provide services and knowledge allowing systematic change to take place whilst reinforcing mutually desired social, economic and environmental outcomes. LVNWWDA recognizes the importance of conducting operations in a manner that meets existing needs without compromising the ability of the future generation to meet their needs; therefore, it carries out its operations in a manner that ensures the economic life of the community in which it operates. It is LVNWWDA's policy to ensure that all the activities undertaken meet and exceed the social, economic and environmental expectations of stakeholders. LVNWWDA believes that ethical leadership and corporate citizenship should direct the strategy and operations to build sustainable business.

LVNWWDA executes the objectives through the following:-

- (a) Our people, values and processes;
- (b) Stakeholder engagement;
- (c) Protecting the environment

**(a) Our People, Values and Processes**

The staff of LVNWWDA are the most critical asset. The Agency recruits, retains and invests in the best talent in the market. Our success will continue to be highly dependent on the performance and accountability of our staff.

**Diversity and Equal Opportunity**

LVNWWDA endeavours to have gender and cultural diversity in our employee mix and for all qualified persons an equal opportunity employer. This has created an inclusive environment where individuals and teams harness strengths in diversity to maximize potential and excel in performance.

**Our Culture and Values**

The staff and directors are committed in upholding our core values in fulfilling our mandate. LVNWWDA's leadership has created an enabling environment where board of directors and staff are accountable for their actions based corporate culture of living our values. The LVNWWDA is an open and transparent community, striving for quality services that are environment friendly, embedded on good governance and has maintained an open and collaborative engagement.

**Employee Welfare**

The Agency project implementation complies with Environment, Safety and Health as required by Occupational Safety and Health Act of 2007, (OSHA). The Agency has Management Committee that develop and implement health and Safety requirements in the workplace, and the workplace is registered as required by law. The Agency conducted last assessment audits including post Covid -19 in December 2020 as per the section 36 of the Factories and Other places of work, legal notice no. 59 and Section 6(3) and 6(4) of the Occupational Safety and Health Act (OSHA).

**Health Care**

LVNWWDA continued to finance staff with medical care through a comprehensive medical cover for all staff and their nuclear families through a competitively sourced medical cover. Annual health talks and health tests were undertaken in the year. The Agency continued to deduct, and submit National Hospital Insurance Fund dues for staff during the year and therefore they utilized the services entitled therein.

### **Labour Relations**

LVNWWDA continued to encourage open communications with an aim of fostering a positive work environment; all employees were encouraged to participate actively in the free flow of questions, answers and ideas. There are meetings held every Monday for all staff, as well as quarterly meetings for all staff, Appraisal and Counselling interviews and Attitude surveys.

### **Staff Training and Development**

To ensure that LVNWWDA not only attracts but also retains the best talent, the Agency aims to nurture employee's careers by making relevant opportunities accessible and helping them to develop skills, knowledge and experience in different functions or specialization. Through the appraisal, system staff training and development needs were identified and the same formed part of the staff training needs assessment report, which was implemented within the year.

In its Annual Budget, LVNWWDA allocated a budget towards education, training and professional development. Individual staff budget allocation was equitably done based on their training needs and job level. LVNWWDA also supports membership to professional bodies by financing of continuous professional development (CPD) trainings to ensure staff are in good standing with their respective professional bodies. Additionally, LVNWWDDA continued implementing on-the-job training through workplace projects and job enrichment. LVNWWDA supports staff furthering their academic growth through flexible working time and giving them study leave.

### **Employee Engagement**

The staff are committed to the realization of the LVNWWDA's mandate. Focus is on delivering an employee experience where staff feel strongly connected to the realization of Agency's mandate.

### **Occupational Health and Safety**

Good health and safety standards are ideal and remain an individual and corporate responsibility for the staff and the Agency. The Agency is committed to proactively managing all health and safety risks associated with its mandates.

During the year, the Board organized several workshops to sensitize staff and evaluated the work environment to ensure it meets the set standards. An annual health and safety audit

was conducted at the Agency's premises. The audit was carried out with the view of evaluating compliance of the work place and the associated operations with the provisions of the Occupational Safety and Health Act, 2007.

Specifically, the following areas were assessed:-

- Information security management
- Work place information;
- Management of Occupational Safety and Health policies;
- Work place safety, Health and Welfare conditions including safety, occupational hygiene conditions as well as general conditions; and
- Emergency response plan.

### **Zero Tolerance to Corruption**

LVNWWDA has a zero tolerance policy towards corruption. During the year LVNWWDA carried out corruption perception risk assessment and mitigation measures. In order to enhance integrity in public procurement, LVNWWDA posted all advertisements and awards to the agencies website and advertised open tenders in the papers for everybody to participate and invited all interested parties to come and witness the opening.

To promote high standards of ethical culture, LVNWWDA continued to have centralised tea breaks to foster teamwork, unity and continuous engagement. Carried out a sensitization to all staff on national values and corporate governance. The Board of Directors were inducted in the year, trained on Mwongozo, and each signed Code of Conduct.

### **Ethics and Integrity**

The Agency has in place Code of Conduct and Ethics and Corruption Prevention Policies. This policy requires employees and members of the Board to conduct business with integrity, in accordance with the Public Officers Ethics Act and ensure the enforcement of corruption prevention plans. Accordingly, corruption prevention, training, risk assessments and surveys form part of the Performance Contract between the Government of the Republic of Kenya (through Ministry of Water & Irrigation, state department for Water) and the Board of Directors.

The Board is cognizant of the financial crime risks that arise from internal and external sources. LVNWWDA conducts business in compliance with high ethical standards of business practice. To this end, LVNWWDA conducted various training courses on

anticorruption and financial fraud practices. The agency also has in place various systems and procedures, which are implemented and monitored on regular basis.

### **(b) Stakeholder Engagement**

LVNWWDA is cognizant that there are various people and groups who may be affected by the decisions it makes or can influence the implementation of its decisions and therefore we continued engaging different stakeholders in order to understand their concerns and to respond to them appropriately. These engagements have assisted by providing feedback on the policies, procedures and ways of working.

### **Reporting**

LVNWWDA is committed to transparency in reporting of its activities to its stakeholders. This is done regularly through the print and electronic media, published annual reports and financial statements.

### **Customer Focus**

LVNWWDA is committed to meeting stakeholder requirements to their satisfaction by ensuring effective and efficient use of resources. It encourages continual improvement of its services and processes.

A service charter was rolled out, and cascaded to all departments and staff and they are displayed at various strategic places in the organization. The compliance to the service charter is monitored on a regular basis, and plans are made on how to reduce or eliminate the non-compliances.

### **Grievance Mechanisms and Procedures**

The Agency has put in place a grievance handling mechanisms for both the directors and employees. The employees' issues are dealt with by the Human Resources and Administration Committee of the Board. The Agency has set up a complaints handling mechanism which is handled by the management. The Agency submits quarterly reports on complaints to the Commissioner of Administrative Justice who evaluates the extent of compliance with the procedures and issues a certificate. During FY 2018/19, the Agency

achieved 98% compared to an achievement of 92% previous year in the performance contract evaluation on resolution of public complaints.

### **(c) Protecting our environment**

#### **Environmental and social sustainability**

##### **Introduction**

##### **Background**

Environmental and Social Sustainability refers to concerted efforts to mitigate against environmental degradation and social impacts. It is the maintenance of the factors and practices that contribute to the quality of environment on a long term basis as well acceptable social norms over the long term. It involves making decisions and taking action that are in the interests of protecting the natural and social environment, with particular emphasis on preserving the capability of the environment to support human life; and social wellbeing of communities.

LVNWWDA as a state corporation with key functions of Planning, development, rehabilitation and expansion of water and sanitation services infrastructure is cognizant of the possible impacts ( both positive and negative) resulting from interaction of the organization's activities with both physical and social environment.

As such, LVNWWDA is committed to environmental conservation and protection as well as safeguarding of health and safety of workers within the premises and projects. Through the integrated Environment, Health and Safety policy statement, the organization commits to protecting the environment, preserving the health and safety of employees and communities, and ensuring safe development of water and sanitation infrastructure within the its area of jurisdiction.

Pollution prevention, regulatory compliance, stakeholder engagement, public consultation and continual improvement are the key elements, which underpins LVNWWDA environmental and social sustainability.

The objective of the LVNWWDA's environmental sustainability is therefore to promote sustainable development within our area of jurisdiction by ensuring environmental protection, social equity, and economic development.

### Approach

LVNWWDA environmental sustainability is guided by the Constitution of Kenya, 2010, Environmental Management and Coordination (Amendment) Act of 2015 which is the principal legislation governing the conduct of environmental management in Kenya. Other legislation related to natural resources such as Water Act, forest Act, Land planning Act, National land policy etc. as well as the Occupational Health and Safety Act, 2010 are also used as guidelines. The Agency has developed International Best Practices to enhance Performance Standards as outlined in the African Development Bank (AfDB) or World Bank Guidelines through

- a) Operational Environmental Policy
- b) Resettlement Action Policy
- c) Public Participation Policy
- d) Electronic Waste Policy

LVNWWDA therefore, complies with the environmental requirements of International Development Funding agencies such as World Bank and African Development Bank (AfDB) among others.

Table 1: Environmental and Social Framework (ESF)	Environment Safeguards Instruments	Description of safeguards
World Bank	Environmental and Social Standards (ESS)	<p>ESS1: Assessment and Management of Environmental and Social Risks and Impacts</p> <p>ESS2: Labor and Working Conditions</p> <p>ESS3: Resource Efficiency and Pollution Prevention and Management.</p> <p>ESS4: Community Health and Safety</p> <p>ESS5: Land Acquisition, Restrictions on land use and Involuntary Settlement.</p> <p>ESS6: Biodiversity Conservation and Sustainable management of living Natural Resource.</p> <p>ESS7: Indigenous peoples / Sub-Saharan African Historically underserved Traditional Local Communities.</p>

		<b>ESS8:</b> Cultural Heritage <b>ESS9:</b> Financial Intermediaries <b>ESS10:</b> Stakeholders Engagement and Information Disclosure.
	Indigenous Peoples Policy Framework (IPPF)	Provide indigenous people with culturally appropriate benefits that recognize distinct circumstances that expose indigenous people to inability to defend their rights.
	Resettlement Policy Framework (RPF)	Provides guidelines on how projects will avoid, manage or mitigate all related displacements.

## Environmental sustainability activities

### Environmental sustainability planning

Lake Victoria North Water Works Development Agency has developed Environmental Management System with objectives and policies that are relevant to its context, products, services and any interested parties for the development, maintenance and management of water and sanitation infrastructures. Our procedures are defined within Environmental Management System 14001:2015 framework that assist the Agency in achieving the environmental goals and consistent controls of its operations.

### Environmental Unit

The Agency has developed operational environmental policy, Resettlement Action Plan Policy, Public participation and E-Waste Policy to ensure strict adherence to the constitutional requirement and specifically Environmental Management and Coordination Act of 1999 with relevant regulations. The agency has adequately incorporated the international good practices as outlined in Environment and Social Safeguards requirement by World Bank and African Development Bank with respect to all relevant Safeguard Standards.

The Agency develops annual Quality and Environmental Objectives to ensure 100% compliance with Environment and Social Management Plans in the project cycle, and are realised through environmental objectives targets and programs.

LVNWWDA participatory approach has ensured best delivered projects supported by international Financial partners. However, implementing international safeguards has

exposed gaps in our local regulatory frameworks causing project delays, litigations and cost of claims.

#### **Pollution prevention and abatement**

LVNWWDA Complies with various legislation related to prevention and abatement of pollution such as EMCA (waste management) regulations, EMCA (water quality) regulations) EMCA (noise reduction) regulations, Water Act (water rules).

Programmes are in place to ensure that all operations are in compliance with these regulations. For instance, water abstraction permitting, effluent discharge planning and licensing, and workplace certification among others.

The boreholes drilled within this reporting period were authorized and permitted by WRMA.

- All sewerage treatment plants are designed to improve quality of final discharge into the receiving surface waters. These facilities are issued with effluent discharge permits based on effluent discharge and control plan.
- All ongoing construction projects are supervised and monitored to ensure proper implementation of project specific environmental management plans and environmental conservation.
- All motor vehicles are being regularly serviced as per manufacturer's recommendations.

#### **Climate change mitigation and adaptation**

LVNWWDA implements projects with measures to adapt and/or mitigate against effects of climate change. LVNWWDA is drilling and equipping boreholes to provide alternative water sources in ASALs to help communities in those areas adapt to water scarcity which is associated with climate change.

LVNWWDA is also implementing medium and small dams to provide water storage thereby providing adaptation measures to water scarcity resulting from climate change. Community projects focusing on rainwater harvesting and development of water pans also provide additional water storage to help communities and schools deal with water scarcity.

The Agency also undertakes tree planting within the area of jurisdiction as a climate change adaption measure to act as carbon sinks. The Agency adopts technologies that mitigate climate change like solar energies, gravity or non-motorized facilities as well as supporting research and development to reduce ozone depletion during the project cycles.

**Promoting Environmental protection and conservation through partnerships with stakeholders**

LVNWWDA continually work together with partners such as County governments, community members, WRA, NEMA, Water Resource Users Associations, local administrations etc. within its area of jurisdiction to enhance participation of stakeholder and sustainability of projects.

**Environmental education and awareness**

LVNWWDA through its corporate communication section develop and disseminate information on water conservation and rain water harvesting through fliers, brochures, print media, radio and TV.

**Social sustainability activities**

**Socio-economic impact assessment**

Environment and Social safeguards framework is now conceived as being the tool for identifying and managing the social issues of project development, and includes the effective engagement of affected communities in participatory processes of identification, assessment and management of social impacts. Social Safeguards contributes to the ongoing management of social issues throughout the whole project development cycle, from conception to post-closure. LVNWWDA focuses on social impact assessment to enhance the benefits of projects to impacted communities. This is necessary for the project to earn its 'social license to operate; Enhancing benefits covers a range of issues, including- modifying project infrastructure to ensure it can service local community needs; providing social investment funding to support local social sustainable development and community visioning processes to establish strategic community development plans; a genuine commitment to maximizing opportunities for local content (i.e. jobs for local people and local procurement) by removing barriers to entry to make it possible for local enterprises to supply goods and services; and by providing training and support to local people.

Where people's assets and properties are affected, the LVNWWDA ensures that appropriate Resettlement Action Policy (RAP) is applied hence, there is prior and informed consent from the project affected persons, there is prompt and adequate compensation for any loss; and where people are resettled to enable a project to proceed, the Agency ensures that their post-resettlement livelihoods are restored and enhanced.

**Other Social sustainability activities include:**

- i. Stakeholder engagement and public participation plan
- ii. Livelihood and restoration plans
- iii. Environmental Commitment Plan by the Contractor

**Environment and social sustainability management systems**

LVNWWDA aims at managing the various environmental and social aspects associated with different projects under implementation by developing and implementing project specific management and monitoring plans. The Unit conducts environment and social monitoring for both development projects and operation projects under the County governments.

**Environmental and social Management Plans**

An Environmental and Social Management Plan (ESMP) provides the remedial measures to be taken, the responsible person(s) for execution, and the monitoring activities to be undertaken during the construction, operational and decommissioning phases.

An indication of the timing for implementation and the cost involved is also provided. It is a practical and achievable plan of management to ensure that any environmental impacts during the design, planning and construction phase are minimized. All contractors working with LVNWWDA submits an ESMP for their respective projects to LVNWWDA for review and are taken through orientation on ESMP, Policies and regulatory requirements. LVNWWDA ensures that the ESMP is implemented at each phase of the project in order to minimize harmful occurrences to the environment, community members and the employees.

**Health and safety management plans**

In accordance with the requirements of the Occupational Safety and Health Act 2007, a Health and Safety Management Plan (HESMP) is prepared for each project being implemented by LVNWWDA. The objective of a HESMP is to establish safe working practices and standards, which are employed on site and to detail the organizational requirements and obligations of the contractor.

**Grievance Redress Mechanism.**

LVNWWDA recognizes the need for a Grievance Redress mechanism (GRM) throughout the project implementation period to identify disputes in good time and allow them to be resolved in a transparent and accountable manner. Compensation based disputes are issues

likely to occur during and after project implementation period, hence the need for GRM system. Project financing institutions guidelines and policies also call for appropriate and accessible grievance handling mechanisms for project-affected persons. Appropriate Grievance Redress System is developed and maintained in the entire project cycle.

**Conclusion**

LVNWWDA is committed to Environmental Conservation and safeguard of the Health and Safety of employees as well as communities affected by the organizations operations. The organization continuously works towards compliance with the ISO and international good practices as well as achieving the environmental sustainability targets.

## 9. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30<sup>th</sup> June 2022, shows the state of affairs of the Agency.

### Principal activities

The principal activity of the Agency is to develop, manage and maintain water and sewerage infrastructure.

### **Results**

The results of the Agency for the year ended 30<sup>th</sup> June, 2022 are set out on page 1.

**Kshs**

Surplus/ (Deficit) before depreciation and finance costs	(70,399,554)
Less: Depreciation	(285,452,410)
Surplus/ (Deficit) before finance costs	<u>(355,851,964)</u>

### **Net deficit for the period**

The Agency registered a Deficit of **Kshs. 355,851,964** during the year.

### Directors

The members of the Board of Directors who served during the year are shown on page **VI to IX**.

### Surplus Remission

The Agency did not make any surplus during the period and hence no remittance to the Consolidated Fund.

### **Auditors**

The Auditor General is responsible for the statutory audit of the Agency in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



CS Elizabeth Ngala  
Corporation Secretary

Date:.....

## 10. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act 446, require the Directors to prepare financial statements in respect of the, which give a true and fair view of the state of affairs of the Agency at the end of the financial year/period and the operating results of the Agency for that year/period. The Directors are also required to ensure that the Agency keeps proper accounting records which disclose with reasonable accuracy the financial position of the Agency. The Directors are also responsible for safeguarding the assets of the Agency.

The Directors are responsible for the preparation and presentation of the Agency's financial statements, which give a true and fair view of the state of affairs of the Agency for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Board; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Agency; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Agency's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act 2012 and the State Corporations Act. The Directors are of the opinion that the Agency's financial statements give a true and fair view of the state of Agency's transactions during the financial year ended June 30, 2022, and of the Agency's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Agency, which have been relied upon in the preparation of the Agency's financial statements as well as the adequacy of the systems of internal financial control.

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

### Approval of the financial statements

The Agency's financial statements were approved by the Board on 27<sup>th</sup> September 2022 and signed on its behalf by:

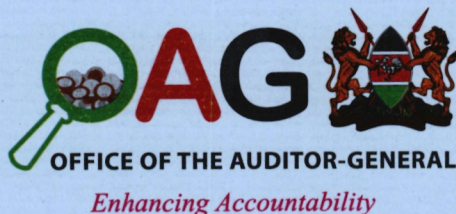


Julius Bakasa Wasike, HSC  
Chairman of the Board



Eng. Gongi Samson Peter  
Ag. Chief Executive Officer

# REPUBLIC OF KENYA



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P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON LAKE VICTORIA NORTH WATER WORKS DEVELOPMENT AGENCY FOR THE YEAR ENDED 30 JUNE, 2022**

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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 Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, 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 Lake Victoria North Water Works Development Agency set out on pages 2 to 35, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance,

statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Lake Victoria North Water Works Development Agency as at 30 June, 2022, 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 Public Finance Management Act, 2012, and the Water Act, 2016.

## Basis for Qualified Opinion

### 1. Inaccuracies of the Financial Statements

The financial statements reflect comparative figures under several components which are at variance with the corresponding figures reflected in the audited financial statements for the year ended 30 June, 2021 as shown below.

Component	Comparative Figures 2021-2022 (Kshs)	Audited Financial Statements 2020-2021 (Kshs)	Variance (Kshs)
<b>Statement of Financial Performance</b>			
Supply and Services	14,317,783	14,292,583	25,200
<b>Statement of Financial Position</b>			
Receivables from Non-Exchange	235,811,362	229,827,260	5,984,102
Property, Plant and Equipment	8,873,386,837	8,873,497,912	(111,075)
Capital Works-In-Progress	4,843,936,255	4,507,157,581	336,778,674
Trade and Other Payables	213,466,160	207,482,057	5,984,103
Long-Term Loans Due	1,067,901,899	781,081,029	286,820,870
Borrowings	11,571,661,066	11,521,703,262	49,957,804
Accumulated Surplus	2,958,345,342	2,583,324,267	375,021,075
<b>Statement of Cash Flows</b>			
Purchase of PPE	707,430,238	370,676,764	336,753,474
Decrease in Debtors	71,501,732	65,517,630	5,984,102
Decrease in Stores	1,327,638	1,307,638	20,000
Decrease in Creditors	452,188,319	159,383,347	292,804,972
Rural Water Supply Development	201,792,419	201,992,419	(200,000)
Repayment of Borrowings	297,475,655	10,654,785	286,820,870
<b>Notes to the Financial Statements</b>			
Total Depreciation and Amortization - Note 8	307,539,300	307,543,425	(4,125)
Tender/Seek Quotations – Note 10	663,050	637,850	25,200
Contractor Debtors KIDDP and UNICEF – Note 16	34,458,830	28,474,728	5,984,102

*Report of the Auditor-General on Lake Victoria North Water Works Development Agency for the year ended 30 June, 2022*

<b>Component</b>	<b>Comparative Figures 2021-2022 (Kshs)</b>	<b>Audited Financial Statements 2020-2021 (Kshs)</b>	<b>Variance (Kshs)</b>
Work-In-Progress Belgium Additional during the year – Note 19	663,643,318	326,860,664	336,782,654
General Suppliers (Trade and Other Payables) – Note 20	206,591,323	200,607,221	5,984,102
<b>Long term Loan Repayments</b>			0
KFW Loan Nzoia Phase 1 – Note 25	382,761,730	309,954,424	72,807,306
KFW Loan Nzoia Phase 2 – Note 25	487,436,770	342,985,214	144,451,556
WaSSIP – Note 25	197,703,399	128,141,391	69,562,008
IDA Loan Vihiga Cluster – Note 26	659,380,026	322,601,352	336,778,674

In the circumstances, the accuracy of the respective balances could not be confirmed.

## **2. Unsupported Revenue from Non-Exchange Transactions - Transfers from Other Government Units**

The statement of financial performance, and as disclosed in Note 3 to the financial statements, reflects an amount of Kshs.275,310,340 in respect of transfers from other Government units, being gifts and services in kind. The amount comprises of Kshs.128,000,000 and Kshs.147,310,340 relating to recurrent and development grants respectively. However, supporting schedules for development grants provided for audit review reflects an amount of Kshs.145,237,000 resulting to a variance of Kshs.2,073,340 which was not supported.

In the circumstances, the accuracy and completeness of development grants amount of Kshs.147,310,340 could not be confirmed.

## **3. Property, Plant and Equipment**

### **3.1 Lack of ownership documents**

The statement of financial position, and as disclosed in Note 18 to the financial statements, reflects a property, plant and equipment balance of Kshs.8,591,243,391. Included in the balance are amounts of Kshs.48,374,204 and Kshs.1,076,523 relating to land and buildings and motor vehicles respectively. However, ownership documents for land and motor vehicles were not provided for audit review.

In the circumstances, accuracy, ownership and fair valuation of land and buildings and motor vehicles balances could not be confirmed.

## **4. Receivables from Exchange Transactions**

The statement of financial position, and as disclosed in Note 15 to the financial statements, reflects receivables from exchange transactions balance of Kshs.499,206,680 all of which were above ninety (90) days old as at 30 June, 2022. No explanation was provided on why the same had not been collected.

In the circumstances, the recoverability of the receivables from exchange transactions of Kshs.499,206,680 could not be confirmed.

## **5. Unsupported Long-Term Loans**

The statement of financial position, and as disclosed in Note 25 to the financial statements, reflects a long-term loans due balance of Kshs.1,465,088,349. The balance comprises of three (3) loan balances of Kshs.485,787,515, Kshs.673,802,290 and Kshs.305,498,544 relating to KFW-Nzoia Phase1, KFW-Nzoia Phase II and WaSSIP, respectively. However, supporting schedules showing principal amounts, repayments during the year and balances as at 30 June, 2022 were not provided for audit review.

In the circumstances, the accuracy and completeness of the long-term loans balance of Kshs.1,465,088,349 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 North Water Works Development Agency 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.

## **Key Audit Matters**

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

## **Other Matter**

### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis amounts of Kshs.1,001,053,159 and Kshs.298,077,655 respectively, resulting to underfunding of Kshs.702,975,504 or 70% of the budget.

Similarly, the Agency spent an amount of Kshs.653,929,619 against approved budget of Kshs.1,001,053,159 resulting to under-performance of Kshs.347,123,540 or 35% of the budget.

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

### **2. Material Uncertainty Relating to Going Concern**

The statement of financial performance indicates that during the year under review, the Agency reported a deficit of Kshs.355,851,964 (2020/2021 - Kshs.(380,016,532). The accumulated deficit increased from Kshs.2,958,345,342 in 2020/2021 to

Kshs.3,304,614,641 during the year under review. In addition, the Agency's total current liabilities of Kshs.1,646,330,327 as at 30 June, 2022 exceeded its total current assets of Kshs.571,770,301 by Kshs.1,074,560,026.

In the circumstances, the continued poor financial performance is an indication that the Agency is unable to meet its financial obligations as and when they fall due and that its future sustainability is in doubt.

## 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 matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### Basis for Conclusion

#### 1. Long outstanding Receivables

The statement of financial position reflects receivables from non-exchange transactions of Kshs.40,617,601 which, as disclosed under Note 16 to the financial statements, includes imprest due from staff of Kshs.2,217,701. Analysis of the imprest register and ageing analysis revealed that as at 30 June, 2022, imprests totalling Kshs.818,691 had been outstanding for over 90 days. This is contrary to Regulation 93(5) of the Public Finance Management (National Government) Regulations, 2015 which provides that a holder of a temporary imprest shall account for or surrender the imprest within seven (7) working days after returning to duty station.

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

#### 2. Non-Compliance with the Law on Ethnic Composition

Analysis of the Agency's staff establishment records revealed that during the year under review, the Agency had a total of sixty-eight (68) employees. However, out of this number, 40 employees or 59% were from the same ethnic community. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which provides that no public establishment shall have more than one third of its staff from the same ethnic community.

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

#### 3. Stalled Project

The Agency awarded a contract to a local contractor for the rehabilitation and augmentation works for Kopsiro Community Water Project at a contract sum of

Kshs.28,059,050. The contract period was six (6) months commencing on 02 September, 2019 and was scheduled for completion on 02 March, 2020. However, a review of available records and correspondences revealed that as at 30 June, 2022, the project had stalled for more than two years and the contractor had abandoned site. As at the time of stalling, the contractor had been paid an amount of Kshs.6,098,809. No explanation was provided for the stalling of the project.

In the circumstances, the Agency did not obtain value for money.

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and 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.

### **Responsibilities of Management and the Board of Directors**

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

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

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

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

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 controls 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 controls 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Agency's 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 controls.
- 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 Agency'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 Agency to cease 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 Agency 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 controls that are identified during the audit.

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

11 April, 2023

Lake Victoria North Water Works Development Agency  
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for the year ended 30 June 2022

12. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE  
2022

		2021-2022	2020-2021
		Kshs	*(Restated) Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from other Governments-gifts and services-in-kind	3	275,310,340	329,426,660
		275,310,340	329,426,660
<b>Revenue from exchange transactions</b>			
Other Income	4	1,730,944	1,066,411
Loan Repayment Income	5	21,036,371	21,254,930
		22,767,315	22,321,341
<b>Total revenue</b>		<b>298,077,655</b>	<b>351,748,001</b>
<b>Expenses</b>			
Employee costs	6	128,646,319	120,304,773
Remuneration of Directors	7	22,281,846	20,552,524
Depreciation and amortization expense	8	285,452,410	307,539,300
Repairs and maintenance	9	5,853,872	6,379,028
Supply and services	10	8,278,126	14,317,783
Transport Costs	11	4,453,095	7,749,894
General expenses	12	47,043,801	53,128,812
Rural water supply Development	13	151,920,149	201,792,419
<b>Total expenses</b>		<b>653,929,619</b>	<b>731,764,533</b>
<b>Other gains/(losses)</b>			
<b>Surplus/( Deficit) before tax</b>		<b>(355,851,964)</b>	<b>(380,016,532)</b>
Taxation		-	-
<b>Surplus/(Deficit) for the period</b>		<b>(355,851,964)</b>	<b>(380,016,532)</b>

The notes set out on pages 7 to 33 form an integral part of the Financial Statements.  
The financial Statements set out on pages 2 to 6 were signed on behalf of the Board of Directors by:



Ag. Chief Executive Officer  
Eng. Gongi Samson Peter

Date.....



Head of Finance & Resource Mobilization  
CPA Anthony Kisaka  
ICPAK No. 7014

Date.....



Chairman of the Board  
Hon. Julius B. Wasike

Date.....

Lake Victoria North Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended 30 June 2022


13. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

		2021-2022	2020-2021 *(Restated)
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	14	29,567,555	12,118,895
Receivables from exchange transactions	15	499,206,680	512,409,813
Receivables from non-exchange transactions	16	40,617,601	235,811,362
Inventories	17	<u>2,378,468</u>	<u>2,209,731</u>
		<b>571,770,305</b>	<b>762,549,800</b>
<b>Non-current assets</b>			
Property, plant and equipment	18	8,591,243,391	8,873,386,837
Capital Works In Progress	19	4,884,473,844	4,843,936,255
		<u>13,475,717,234</u>	<u>13,717,323,092</u>
<b>Total assets</b>		<u><b>14,047,487,539</b></u>	<u><b>14,479,872,892</b></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	20	153,032,837	213,466,160
Provisions	21	5,512,802	5,512,802
Deferred income	22	0	77,073,340
Employee benefit obligation	23	9,468,243	10,313,705
Taxation	24	13,228,095	14,846,373
Long term loans due	25	<u>1,465,088,349</u>	<u>1,067,901,899</u>
		<b>1,646,330,327</b>	<b>1,389,114,280</b>
<b>Non-current liabilities</b>			
Borrowings	26	<u>11,153,328,966</u>	<u>11,571,661,066</u>
		<b>11,153,328,966</b>	<b>11,571,661,066</b>
<b>Total liabilities</b>		<u><b>12,799,659,292</b></u>	<u><b>12,960,775,346</b></u>
<b>Net assets</b>		<u><b>1,247,828,247</b></u>	<u><b>1,519,097,546</b></u>
Reserves		4,552,442,888	4,477,442,888
Accumulated surplus/deficit		<u>(3,304,614,641)</u>	<u>(2,958,345,342)</u>
<b>Total net assets and liabilities</b>		<u><b>1,247,828,247</b></u>	<u><b>1,519,097,546</b></u>

The Financial Statements set out on pages 2 to 6 were signed on behalf of the Board of Directors by:

  
Ag. Chief Executive Officer  
Eng. Gongi Samson Peter

  
Head of Finance & Resource Mobilization  
CPA Anthony Kisaka  
ICPAK No. 7014

  
Chairman of the Board  
Hon. Julius B. Wasike

Date.....

Date.....

Date.....

14. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	Attributable to the owners of the controlling entity							Total	
	Grants		Grants KFW		Grants Worldbank		Accumulated surplus/(Deficit)		
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs		Kshs
Balance as 1 July 2020	25,924,938	361,956,401	221,783,948	1,267,995,799	2,599,781,802	1,893,857,484			
Accumulated depreciation for transferred assets	-	-	-	-	-	-	-	-	
Transfers to/from during the period	-	-	-	-	-	-	-	-	
Surplus/(deficit) for the period	-	-	-	(380,016,533)	-	(380,016,533)	-	-	
Transfers to/from accumulated surplus	-	-	-	5,256,595	-	5,256,595	-	-	
<b>Balance as at 30 June 2021*(Restated)</b>	<b>25,924,938</b>	<b>361,956,401</b>	<b>221,783,948</b>	<b>1,267,995,799</b>	<b>2,599,781,802</b>	<b>1,519,097,546</b>			
Balance as at 30 June 2021	25,924,938	361,956,401	221,783,948	1,267,995,799	2,599,781,802	1,519,097,546			
Accumulated depreciation for transferred assets	-	-	-	-	-	-	-	-	
Transfers to/from during the period	-	-	-	75,000,000	-	75,000,000	-	-	
Surplus/(deficit) for the period	-	-	-	(355,851,964)	-	(355,851,964)	-	-	
Transfers to/from accumulated surplus	-	-	-	9,582,665	-	9,582,665	-	-	
<b>Balance as at 30 June 2022</b>	<b>25,924,938</b>	<b>361,956,401</b>	<b>221,783,948</b>	<b>1,267,995,799</b>	<b>2,674,781,802</b>	<b>1,247,828,247</b>			

Grants from KIDDP (Kenya Italy Debt Development Project) relates to projects funded by the Italy Government for water projects within the Agency area.

Grants from KFW (German Development Bank) relates to development of water projects in Trans Nzoia, Bungoma, Kakamega & Busia counties.

Lake Victoria North Water Works Development Agency  
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15. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

Cash flows from operating activities	Notes	2021-2022	2020-2021 *(Restated)
		Kshs	Kshs
<b>Income</b>			
Government grants	3	275,310,340	329,426,660
Other Income	4	1,730,944	1,066,411
Loan Repayment Income	5	21,036,371	21,254,930
<b>Total Income</b>		<b>298,077,655</b>	<b>351,748,001</b>
<b>Expenses</b>			
Employee costs	6	(128,646,319)	(120,304,773)
Remuneration of Directors	7	(22,281,846)	(20,552,524)
Repairs and maintenance	8	(5,853,872)	(6,379,028)
Supply and services	9	(8,278,126)	(14,317,783)
Transport Costs	10	(4,453,095)	(7,749,894)
General expenses	11	(47,043,801)	(53,128,812)
Rural water supply Development	12	(151,920,149)	(201,792,419)
<b>Total Expenses</b>		<b>(368,477,208)</b>	<b>(424,225,233)</b>
<b>Cash flows from operating activities</b>		<b>(70,399,553)</b>	<b>(72,477,232)</b>
<b>Working capital changes</b>			
(Increase)/Decrease in debtors		208,396,893	(71,501,732)
(Increase)/Decrease in stores		(168,737)	(1,327,638)
Increase/(Decrease) in Creditors		257,216,047	452,188,319
Prior year's adjustment		9,582,665	5,256,595
<b>Net cash flows from operating activities</b>		<b>404,627,315</b>	<b>312,138,312</b>
<b>Cash flows from Investing Activities</b>			
Purchase of property, plant, equipment and intangible assets	18	(3,308,964)	(707,430,238)
Purchase of Capital Work in Progress	19	(40,537,590)	
<b>Net cash flows used in Investing Activities</b>		<b>(43,846,554)</b>	<b>(707,430,238)</b>
<b>Cash flows from Financing Activities</b>			
Proceeds from borrowings	26	-	659,380,026
Repayment of borrowings/transfer to current liabilities	26	(418,332,100)	(297,475,655)
Increase in deposits		75,000,000	-
<b>Net cash flows used in financing activities</b>		<b>(343,332,100)</b>	<b>361,904,371</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>17,448,661</b>	<b>(33,387,555)</b>
<b>Cash and cash equivalents at beginning of period</b>	14	<b>12,118,895</b>	<b>45,506,450</b>
<b>Cash and cash equivalents at end of period</b>	14	<b>29,567,555</b>	<b>12,118,895</b>

The Financial Statements set out on pages 2 to 6 were signed on behalf of the Board of Directors by:

  
Ag. Chief Executive Officer  
Eng. Gongi Samson Peter

  
Head of Finance & Resource Mobilization  
CPA Anthony Kisaka  
ICPAK No. 7014

  
Chairman of the Board  
Hon. Julius B. Wasike

Date.....

Date.....

Date.....



## 17. NOTES TO THE FINANCIAL STATEMENTS

### 1. General information

The Agency is established by and derives its authority and accountability from Water Act 2002. The Agency is wholly owned by the Government of Kenya and is domiciled in Kenya. The Agency's principal activity is to develop, manage and maintain water and sewerage infrastructure.

### 2. Statement of compliance and basis of preparation

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Agency.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2002, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

### 3. Adoption of new and revised standards

The agency did not adopt any new or revised standards in year ending 30<sup>th</sup> June 2022.

### 4. Summary of significant accounting policies

#### a) Revenue recognition

##### i) Revenue from non-exchange transactions – IPSAS 23

#### Fees, taxes and fines

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

#### 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. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

### **Revenue from exchange transactions**

#### ***Rendering of services***

The Agency recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

#### ***Sale of goods***

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

#### ***Interest income***

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

#### ***Rental income***

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

### **c) Budget information**

The original budget for FY 2021-2022 was approved by the Board on 15<sup>th</sup> January 2021. 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 entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented in these financial statements.

### **d) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Agency

recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Furniture, office equipment & fittings	12.5%
Computers & Accessories	33.3%
Motor vehicle	25 %
Plant, machinery & equipment	20%
Water Supply infrastructure	2.5%
Buildings	10%

#### **e) Leases - IPSAS 13**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Agency. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Agency also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Agency will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

#### **f) Intangible assets - IPSAS 31**

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.

#### **g) 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
- 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.

#### **h) Financial instruments**

##### *Financial assets*

##### *Initial recognition and measurement*

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Agency determines the classification of its financial assets at initial recognition.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Financial assets are valued at the lower of cost or net realizable value. Management estimates the amount of accounts receivable that will not be collectible and provides an allowance for doubtful accounts. Estimates are based upon such factors as an aging of outstanding balances, collection experience, legal advice and known factors such as customers in bankruptcy.

##### *Held-to-maturity*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Agency has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

### ***Impairment of financial assets***

The Agency assesses at each reporting date whether there is objective evidence that a financial asset or a Board of financial assets is impaired. A financial asset or a Board of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Board of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a Board of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

#### ***i) Financial liabilities***

##### ***Initial recognition and measurement***

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Agency determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

##### ***Loans and borrowing***

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

#### ***i) 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 labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

At 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.

#### **) 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.

#### ***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 Board 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.

#### **(k) Nature and purpose of reserves**

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

#### **) Changes in accounting policies and estimates - IPSAS 3**

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.

**m) Employee benefits**

**Retirement benefit plans**

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

**n) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**o) 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.

**p) Related parties – IPSAS 20**

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

**q) Service concession arrangements – IPSAS 32**

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 that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Agency also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

### **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.

### **i) Comparative figures**

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

### **t) Disclosure relating to Prior Period Errors**

In preparation of the financial statements the Agency has restated the financial year 2020-2021 due to errors arising out of the audit report being issued on draft financial statements. The Agency has made disclosures in note no. 27 that include;

- a) The nature of the of the Prior Period Error
- b) The amount of the correction
- c) Each financial statement line affected

### **t) 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.

State all judgements, estimates and assumptions made: e.g.

#### ***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. 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.

#### u) Grants and deferred income

Grants are recognized when:

- i) The Agency will comply with the conditions attaching to them
- ii) The grants have been received or are on transit at year end
- iii) Grants are recognized in the statement of financial performance in the same periods that the related expenses are recognized.
- iv) Grants exclude assistance that cannot reasonably be valued, and transactions between the government and the Agency that are in the normal course of business.

### 3. Transfers from other Governments-gifts and services-in-kind

#### Government Grants

	2021-2022	2020-2021
Actual	Kshs	Kshs
Recurrent	128,000,000	128,000,000
Development	147,310,340	201,426,660
<b>Total Government Grants</b>	<b>275,310,340</b>	<b>329,426,660</b>

#### 4. Other Income

	2021-2022	2020-2021
	Kshs	Kshs
Sale of tenders, Water bowsers services & Other income	1,730,944	1,066,411
<b>Total</b>	<b>1,730,944</b>	<b>1,066,411</b>

#### 5. Loan Repayment Income

	2021-2022	2020-2021
	Kshs	Kshs
Loan Repayment Income	21,036,371	21,254,930
<b>Total Loan Repayment Income</b>	<b>21,036,371</b>	<b>21,254,930</b>

#### 6. Employee costs

	2021-2022	2020-2021
	Kshs	Kshs
Basic salary and house allowance	85,381,953	77,947,744
Other allowances	4,224,578	5,125,131
Staff recruitment expenses	664,985	368,970
Staff welfare expenses	331,369	642,015
Commuter allowance	6,878,208	6,484,089
Medical allowance/expenses	13,584,736	13,312,261
Contributions to pensions/NSSF	12,590,264	12,337,171
Leave allowance&Accrued leave expense	4,990,227	4,087,393
<b>Total Employee costs</b>	<b>128,646,319</b>	<b>120,304,774</b>

**Remuneration of directors**

	2021-2022	2020-2021
	Kshs	Kshs
Board committee & conference	21,321,846	19,592,524
Honoraria for chairman	960,000	960,000
<b>Total Board remuneration</b>	<b><u>22,281,846</u></b>	<b><u>20,552,524</u></b>

**8. Depreciation and amortization expense**

	2021-2022	2020-2021
	Kshs	*(Restated) Kshs
Furniture, Office equipment and fittings	59,634	88,996
Computers and related equipments	3,669,523	5,353,401
Motor Vehicles	358,841	0
Water supply infrastructure	281,364,412	281,364,412
Land and Buildings	-	20,732,491
<b>Total depreciation and amortization</b>	<b><u>285,452,410</u></b>	<b><u>307,539,300</u></b>

**9. Repairs and maintenance**

	2021-2022	2020-2021
	Kshs	Kshs
Laboratory/quality control expenses	118,041	447,059
Maintenance of equipments	5,000	40,321
Minor alteration to building	113,130	577,439
Maintenance of computers	714,982	1,604,765
Monitoring and evaluation	4,690,561	3,552,694
Support to water service providers	212,159	156,750
<b>Total repairs and maintenance</b>	<b><u>5,853,872</u></b>	<b><u>6,379,028</u></b>

**10. Supplies and Services**

	2021-2022	2020-2021
<b>Description</b>	<b>Kshs</b>	<b>*(Restated) Kshs</b>
Advertisement and publicity	154,100	997,634
Computers stationery and accessories	5,150	120,735
Courier and postal services	345,605	279,238
General office supplies	778,751	1,113,017
Internet connections/ICT Expenses	2,342,443	1,613,454
Legal and professional services	1,473,113	7,016,224
Publishing & printing services	343,300	513,085
Professional subscriptions	585,781	481,776
Sanitary and cleaning materials	1,166,319	1,080,583
Subscription to newspapers	-	187,818
Telephone, Fax and mobile phones	66,725	33,519

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Tender/Seek quotations	937,639	663,050
Hospitality supplies and services and national celeb	79,200	217,650
<b>Total Supplies and Services</b>	<b>8,278,126</b>	<b>14,317,783</b>

### 11. Transport Costs

Description	2021-2022 Kshs	2020-2021 Kshs
Transport operating costs-MV Maintenance	1,408,882	3,797,671
Motor vehicle insurance	596,320	987,529
Fuels and oils for motor vehicle	2,447,893	2,964,695
<b>Total Transport Costs</b>	<b>4,453,095</b>	<b>7,749,895</b>

### 12. General Expenses

Description	2021-2022 Kshs	2020-2021 Kshs
Electricity&Water	1,447,132	1,945,322
Trade shows & exhibitions	941,832	1,107,400
Training expenses	12,627,989	7,240,279
Workshops and meeting expenses	5,641,918	4,392,178
Contracted guards & cleaning services	1,568,748	2,214,654
Corporate social responsinsibility,publicity	5,863,637	9,920,236
Staff travel and accommodations	11,115,110	13,073,507
Board Capacity Development	130,930	690,200
ISO Preparation and acquisition expenses	1,851,693	3,474,273
Work environment survey/safety	536,063	1,610,465
Adjustment on provisions of debtors	4,742,088	4,465,221
Bank Charges	235,853	218,203
NRVWDA Expenses	340,807	2,776,875
<b>Total general expenses</b>	<b>47,043,801</b>	<b>53,128,813</b>

### 13. Rural water supply Development

Description	2021-2022 Kshs	2020-2021 Kshs
Rehabilitation of water supplies-UNICEF Funded	5,400	365,760
Rural water supply development-Design&Construction	151,914,749	201,426,660
<b>Total Rural Water Supply Development</b>	<b>151,920,149</b>	<b>201,792,420</b>

### 14. Cash and cash equivalent

		2021-2022 Kshs	2020-2021 Kshs
KCB Revenue account	1103686909	17,870,685	1,138,137
KCB Recurrent account	1103686550	509,186	148,502
KCB Development account	1103686313	5,512	189,580
KCB KISIP Account	1130930009	16,473	27,258

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Cooperative bank Development	0113609835501	189,318	21,939
Cooperative bank Gratuity	01100098355500	10,976,381	10,288,993
Standard Chartered- KIDDP	0102002530000	-	173,541
Standard Chartered- WaSSIP	0102002530002	0	39,690
Standard Chartered- UNICEF	0102002530001	0	91,255
<b>Total cash and cash equivalents</b>		<b>29,567,555</b>	<b>12,118,895</b>

**15. Receivables from exchange transactions**

	2021-2022	2020-2021
	Kshs	Kshs
<b>Current receivables</b>		
WSP Debtors	499,206,681	512,409,813
<b>Total current receivables</b>	<b>499,206,681</b>	<b>512,409,813</b>

**16. Receivables from non-exchange contracts**

Current receivables	2021-2022	2020-2021
	Kshs	*(Restated) Kshs
Imprest due from staff	2,217,701	2,300,098
Salary Advances	1,466,135	635,768
Contractor Debtors - KIDDP and Unicef	24,433,765	34,458,830
Grants from Government	12,500,000	198,416,666
<b>Total current receivables</b>	<b>40,617,601</b>	<b>235,811,362</b>

**17. Inventories**

	2021-2022	2020-2021
	Kshs	Kshs
Consumable stores	2,378,468	2,209,731
<b>Total inventories at the lower of cost and net realizable value</b>	<b>2,378,468</b>	<b>2,209,731</b>

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**18. Property, Plant and Equipment**

Cost or Valuation	Furniture office equipment fittings 12.5%	Computer & Accessories 33.3%	Motor Vehicle 25%	Plant, Machinery & Equipment 20%	Water Supply Infrastructure 2.5%	Land and Buildings	Total
<b>Cost or Valuation</b>							
As at July 1, 2019	5,040,225	22,302,792	66,655,623	161,135,116	7,096,519,486	257,969,563.40	7,609,622,805
Transferred assets from WIP	13,597,343	27,824,906	37,727,046	-	3,461,731,765	(2,586,636.40)	3,540,881,060
Additions at cost	-	8,894,189	-	-	696,325,244	-	702,632,797
Revaluations	-	-	-	-	-	-	-
Disposals	-	-	(8,140,392)	-	-	-	(8,140,392)
<b>As at June 30, 2020</b>	<b>18,637,568</b>	<b>59,021,887</b>	<b>96,242,277</b>	<b>161,135,116</b>	<b>11,254,576,495</b>	<b>255,382,927.00</b>	<b>11,844,996,270</b>
<b>Depreciation</b>							
Balance as at July 1, 2019	4,660,361	17,253,070	66,655,623	161,135,116	1,380,216,683	165,859,927.62	1,795,780,781
Transferred assets from WIP	13,597,343	27,824,906	37,727,046	-	489,970,961	-	569,120,256
Charge for the year	88,996	5,691,576	-	-	281,364,412	20,732,491.00	307,877,475
Disposals	-	0	(8,140,392)	-	-	-	(8,140,392)
<b>Balance as at June 30, 2020</b>	<b>18,346,700</b>	<b>50,769,552</b>	<b>96,242,277</b>	<b>161,135,116</b>	<b>2,151,552,056</b>	<b>186,592,418.62</b>	<b>2,664,638,120</b>
<b>Cost or Valuation</b>							
As at July 1, 2020	18,637,568	59,021,887	96,242,277	161,135,116	11,254,576,495	255,382,927.00	11,844,996,270
Transferred assets from WIP	-	-	-	-	-	316,187.00	567,987
Additions at cost	-	251,800	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
<b>As at June 30, 2021</b>	<b>18,637,568</b>	<b>59,273,687</b>	<b>96,242,277</b>	<b>161,135,116</b>	<b>11,254,576,495</b>	<b>255,699,114.00</b>	<b>11,845,564,257</b>
<b>Depreciation</b>							
Balance as at July 1, 2020	18,346,700	50,769,552	96,242,277	161,135,116	2,151,552,056	186,592,418.62	2,664,638,120
Transferred assets from WIP	-	-	-	-	-	-	-
Charge for the year	88,996	5,353,401	-	-	281,364,412	20,732,491.00	307,539,300
Disposals	-	-	-	-	-	-	-
<b>Balance as at June 30, 2021</b>	<b>18,435,696</b>	<b>56,122,953</b>	<b>96,242,277</b>	<b>161,135,116</b>	<b>2,432,916,468</b>	<b>207,324,909.62</b>	<b>2,972,177,420</b>
<b>Cost or Valuation</b>							
As at July 1, 2021	18,637,568	59,273,687	96,242,277	161,135,116	11,254,576,495	255,699,114.00	11,845,564,257
Transferred assets from WIP	-	-	-	-	-	-	-
Additions at cost	-	1,873,600	1,435,364	-	-	-	3,308,964
Revaluations	-	-	-	-	-	-	-
Disposals	-	(183,350)	-	-	-	-	(183,350)
<b>As at June 30, 2022</b>	<b>18,637,568</b>	<b>60,963,937</b>	<b>97,677,641</b>	<b>161,135,116</b>	<b>11,254,576,495</b>	<b>255,699,114.00</b>	<b>11,848,689,871</b>
<b>Depreciation</b>							
Balance as at July 1, 2021	18,435,696	56,122,953	96,242,277	161,135,116	2,432,916,468	207,324,909.62	2,972,177,420
Transferred assets from WIP	-	-	-	-	-	-	-
Charge for the year	59,634	3,669,523	358,841	-	281,364,412	-	285,452,410
Disposals	-	(183,350)	-	-	-	-	(183,350)
<b>Balance as at June 30, 2022</b>	<b>18,495,330</b>	<b>59,609,126</b>	<b>96,601,118</b>	<b>161,135,116</b>	<b>2,714,280,880</b>	<b>207,324,909.62</b>	<b>3,257,446,480</b>
<b>Net book Values</b>							
As at 1 July, 2021 *(Restated)	201,872	3,150,734	-	-	8,821,660,027	48,374,204.38	8,873,386,837
As at June 30, 2022	142,238	1,354,811	1,076,523	-	8,540,295,615	48,374,204.38	8,591,243,391

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	2021-2022	2020-2021
<b>19. Capital Works In Progress</b>		<b>*(Restated)</b>
<b>WaSSIP</b>	<b>Kshs</b>	<b>Kshs</b>
Balance at the beginning of the year	2,664,738,145	2,644,196,084
Additional during the year	5,400	20,542,061
Transfers to property plant & equipment		-
<b>Balance as at 30 Jun 2022</b>	<b>2,664,743,545</b>	<b>2,664,738,145</b>
		-
<b>Pans, Dams &amp; Other Rehabilitation Works</b>		
Balance at the beginning of the year	408,168,990	385,492,118
Additional during the year	31,676,369	22,676,871
Transfers to property plant & equipment		
<b>Balance as at 30 Jun 2022</b>	<b>439,845,359</b>	<b>408,168,989</b>
<b>Chebara Institutions</b>		
Balance at the beginning of the year	2,101,730	2,101,730
Additional during the year	974,111	0
Transfers to property plant & equipment		
<b>Balance as at 30 Jun 2022</b>	<b>3,075,841</b>	<b>2,101,730</b>
<b>BELGIUM</b>		
Balance at the beginning of the year	1,768,927,390	1,105,284,072
Additional during the year	7,881,709	663,643,318
<b>Balance as at 30 Jun 2022</b>	<b>1,776,809,099</b>	<b>1,768,927,390</b>
<b>Total Capital Works In Progress</b>	<b>4,884,473,844</b>	<b>4,843,936,254</b>
<b>20. Trade and Other payables</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
General Suppliers	150,348,091	206,591,323
Other payables	2,684,746	6,874,836
<b>Total trade and other payables</b>	<b>153,032,836.89</b>	<b>213,466,159.00</b>
<b>21. Current provisions</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Balance at the beginning of the year	5,512,802	5,512,802
Additional provisions raised	-	-
Provision utilized	-	-
Change in provision due to change in discount factor and time value of money	-	-
Transferred from non-current provisions	-	-
<b>Balance as at 30 June 2022</b>	<b>5,512,802</b>	<b>5,512,802</b>

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**22. Deferred income**

	2021-2022	2020-2021
	Kshs	Kshs
Balance at the beginning of the year(National government)	77,073,340	0
Addition during the year	70,237,000	278,500,000
Deferred Income utilized	<u>(147,310,340)</u>	<u>(201,426,660)</u>
<b>Total deferred income</b>	<u><u>0</u></u>	<u><u>77,073,340</u></u>

**23. Pensions and other post-employment benefit plans**

	2021-2022	2020-2021
	Kshs	Kshs
Balance at the beginning of the year	10,313,705	7,990,902
Current benefit obligation	3,743,301	4,535,676
Gratuity released in the year	<u>(4,588,763)</u>	<u>(2,212,873)</u>
<b>Total employee benefit liability</b>	<u><u>9,468,243</u></u>	<u><u>10,313,705</u></u>

**24. Taxation**

	2021-2022	2020-2021
	Kshs	Kshs
VAT	7,453,586	8,254,649
WHT	5,774,509	6,591,724
<b>Total</b>	<u><u>13,228,095</u></u>	<u><u>14,846,373</u></u>

**25. Long Term Loan Repayments Due**

	2021-2022	2020-2021
	Kshs	*(Restated) Kshs
KFW Loan- Nzoia Phase I	485,787,515	382,761,730
KFW Loan- Nzoia Phase II	673,802,290	487,436,770
WaSSIP	305,498,544	197,703,399
<b>Total Long Term Loan Repayments Due</b>	<u><u>1,465,088,349</u></u>	<u><u>1,067,901,899</u></u>

**26. Borrowings**

	2021-2022	2020-2021
	Kshs	*(Restated) Kshs
<b>KFW LOAN</b>		
KFW Loan- Nzoia Phase I & II	5,087,281,002	5,304,539,864
KFW Loan- Nzoia Phase I & II	<u>(289,391,305)</u>	<u>(217,258,862)</u>
<b>Total KFW Loan</b>	<u><u>4,797,889,697</u></u>	<u><u>5,087,281,002</u></u>

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**IDA LOAN**

Balance at the beginning of the year	4,763,325,469	4,843,542,262
During the year	-	-
Loan Repayments	(21,145,650)	(10,654,785)
Less: total current portion of bank loans	(107,795,145)	-
Long Term Loan Repayments Due		(69,562,008)
	<u>4,634,384,674</u>	<u>4,763,325,469</u>

**Vihiga Cluster**

Balance at the beginning of the year	1,721,054,595	1,061,674,568
During the year	-	659,380,026
Less: total current portion of bank loans	-	-
	<u>1,721,054,595</u>	<u>1,721,054,595</u>

<b>Total Non-current Borrowings</b>	<u><u>11,153,328,966</u></u>	<u><u>11,571,661,066</u></u>
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**27. Disclosures relating to prior period errors**

In preparation of the Annual report and financial statements year 2021-2022 the Agency has restated the financial year 2020-2021 due to errors arising out of the audit report being issued on draft financial statements. The Agency has made disclosures on prior period errors in the table below that includes;

- a) The nature of the of the Prior Period Error
- b) The amount of the correction
- c) Each financial statement line affected

27. Disclosures relating to prior period errors.....Continued

8. Depreciation and amortization expense	Audited	Correction Amount	Restated	Nature of Correction
	Jun-21 Kshs	Jun-21	Jun-21 Kshs	
Furniture, Office equipment and fittings	93,121	(4,125)	88,996	Overstated depreciation
Computers and related equipments	5,353,401	-	5,353,401	
Motor Vehicles	-	-	-	
Water supply infrastructure	281,364,412	-	281,364,412	
Land and Buildings	20,732,491	-	20,732,491	
<b>Total depreciation and amortization</b>	<b>307,543,425</b>	<b>-4,125</b>	<b>307,539,300</b>	
<b>10. Supplies and Services</b>				
	Audited	Correction Amount	Restated	
	Jun-21 Kshs	Jun-21	Jun-21 Kshs	
Advertisement and publicity	997,634	-	997,634	
Computers stationery and accessories	120,735	-	120,735	
Courier and postal services	279,238	-	279,238	
General office supplies	1,113,017	-	1,113,017	
Internet connections/ICT Expenses	1,613,454	-	1,613,454	
Legal and professional services	<b>7,016,224</b>	-	<b>7,016,224</b>	
Publishing & printing services	513,085	-	513,085	
Professional subscriptions	481,776	-	481,776	
Sanitary and cleaning materials	<b>1,080,583</b>	-	<b>1,080,583</b>	
Subscription to newspapers	187,818	-	187,818	
Telephone, Fax and mobile phones	33,519	-	33,519	
Tender/Seek quotations	637,850	25,200.00	663,050	Adjust of Expenditure items capitalized under computer and Accessories

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Hospitality supplies and services and national celeb	217,650	-	217,650	
<b>Total contracted services</b>	<b>14,292,583</b>	<b>25,200</b>	<b>14,317,783</b>	
<b>16. Receivables from non-exchange contracts</b>				
<b>Current receivables</b>	<b>Audited Jun-21</b>	<b>Correction Amount Jun-21</b>	<b>Restated Jun-21</b>	
	<b>Kshs</b>		<b>Kshs</b>	
Imprest due from staff	2,300,098	-	2,300,098	
Salary Advances	635,768	-	635,768	
Contractor Debtors - KIDDP and Unicef	28,474,728	5,984,102	34,458,830	Advances to contractors captured under payables moved to debtors
Grants from Government	198,416,666	-	198,416,666	
<b>Total current receivables</b>	<b>229,827,260</b>	<b>5,984,102</b>	<b>235,811,362</b>	
<b>18. Property, Plant and Equipment</b>	<b>8,873,407,912</b>	<b>(21,075)</b>	<b>8,873,386,837</b>	<b>Adjustment of Depreciation &amp; Computer and Accessories</b>
<b>19. Capital Works In Progress</b>				
	<b>Audited Jun-21</b>	<b>Correction Amount Jun-21</b>	<b>Restated Jun-21</b>	
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
Balance at the beginning of the year	2,644,196,084	-	2,644,196,084	
Additional during the year	20,542,061	-	20,542,061	
Transfers to property plant & equipment	-	-	-	
<b>Balance as at 30 Jun 2022</b>	<b>2,664,738,145</b>	<b>-</b>	<b>2,664,738,145</b>	
<b>Pans, Dams &amp; Other Rehabilitation Works</b>				
Balance at the beginning of the year	385,492,118	-	385,492,118	
Additional during the year	22,676,871	-	22,676,871	
Transfers to property plant & equipment	-	-	-	
<b>Balance as at 30 Jun 2022</b>	<b>408,168,989.00</b>	<b>-</b>	<b>408,168,989</b>	

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<b>Chebara Institutions</b>					
Balance at the beginning of the year	2,101,730	-		2,101,730	
Additional during the year	-	-		-	
Transfers to property plant & equipment					
<b>Balance as at 30 Jun 2022</b>	<b>2,101,730</b>	-		<b>2,101,730</b>	
<b>BELGIUM</b>					
Balance at the beginning of the year	1,105,284,072	-		1,105,284,072	
Additional during the year	326,864,644	336,778,674		663,643,318	Movement for the Loans disbursed during the year omitted
<b>Balance as at 30 Jun 2022</b>	<b>1,432,148,716</b>	<b>336,778,674</b>		<b>1,768,927,390</b>	
<b>Total Capital Works In Progress</b>	<b>4,507,157,580</b>	<b>336,778,674</b>		<b>4,843,936,254</b>	Movement in W-I-P during the year omitted
<b>20. Trade and Other payables</b>					
	Audited	Correction Amount		Restated	
	Jun-21	Jun-21		Jun-21	
	Kshs			Kshs	
General Suppliers	200,607,221	5,984,102.00		206,591,323	Advances to contractors captured under payables moved to debtors
Other payables	6,874,836	-		6,874,836	
<b>Total trade and other payables</b>	<b>207,482,057.00</b>	<b>5,984,102.00</b>		<b>213,466,159.00</b>	
<b>25. Long Term Loan Repayments Due</b>					
	Audited	Correction Amount		Restated	
	Jun-21	Jun-21		Jun-21	
	Kshs			Kshs	
KFW Loan- Nzoia Phase I	309,954,424	72,807,306		382,761,730	Movement for the Loans Due during the year omitted

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KFW Loan- Nzoia Phase II	342,985,214	144,451,556	487,436,770	Movement for the Loans Due during the year omitted
WaSSIP	128,141,391	69,562,008	197,703,399	Movement for the Loans Due during the year omitted
<b>Total Long Term Loan Repayments Due</b>	<b>781,081,029</b>	<b>286,820,870</b>	<b>1,067,901,899</b>	
<b>26. Borrowings</b>				
	<b>Audited Jun-21</b>	<b>Correction Amount Jun-21</b>	<b>Restated Jun-21</b>	
<b>KFW LOAN</b>				<b>Kshs</b>
KFW Loan- Nzoia Phase I & II	5,304,539,864	(217,258,862)	5,087,281,002	Movement for the Loans Due during the year omitted
<b>Total KFW Loan</b>	<b>5,304,539,864</b>	<b>-217,258,862</b>	<b>5,087,281,002</b>	
<b>IDA LOAN</b>				
Balance at the beginning of the year	4,843,542,262	-	4,843,542,262	
During the year	-	-	-	
Loan Repayments	(10,654,785)	-	(10,654,785)	
Less: total current portion of bank loans	-	-	-	
Long Term Loan Repayments Due	-	(69,562,008)	(69,562,008)	Movement for the Loans Due during the year omitted
<b>Total IDA Loan</b>	<b>4,832,887,477</b>	<b>(69,562,008)</b>	<b>4,763,325,469</b>	
<b>Vihiga Cluster</b>				
Balance at the beginning of the year	1,061,674,568	0	1,061,674,568	
During the year	659,380,026	0	659,380,026	
Less: total current portion of bank loans	-	0	-	
<b>Total Vihiga Cluster</b>	<b>1,721,054,594</b>	<b>-</b>	<b>1,721,054,594</b>	

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Statement of Cash Flows	Audited	Correction Amount	Restated	Nature of Correction
	Jun-21	Jun-21	Jun-21	
	Kshs	Kshs	Kshs	
Purchase of PPE	370,676,764	336,753,474	707,430,238	Movement in W-I-P during the year omitted
Decrease in debtors	65,517,630	5,984,102	71,501,732	Advances to contractors captured under payables moved to debtors
Decrease in Stores	1,307,638	20,000	1,327,638	
Decrease in creditors	159,383,347	292,804,972	452,188,319	Movement for the Loans Due during the year omitted
Rural water supply development	201,792,419	0	201,792,419	
Repayment of borrowings/ transfer to current liabilities	10,654,785	286,820,870	297,475,655	Movement for the Loans Due/repayment during the year omitted

## 28. RELATED PARTY DISCLOSURE

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

The following have significant influence over the agency's operating and financial decisions

- i) County Governments within the agency's area of Jurisdiction
- ii) Water Sector Trust Fund
- iii) WASREB
- iv) WARMA
- v) Water Service Providers
- vi) Development partners
- vii) Key management
- viii) Board of directors
- ix) PIC
- x) SCAC
- xi) Ministry of Water & Sanitation
- xii) Inspectorate of State Corporations

	2021-2022 Kshs	2020-2021 Kshs
<b>a) Related party transactions</b>		
Grants received from related parties' GOK	236,237,000	406,500,000
Loans received from related parties' Belgium	0	322,601,352
	<u>236,237,000</u>	<u>729,101,352</u>
<b>b) Key management remuneration</b>		
Directors	22,281,846	20,552,524
Key management compensation	19,033,320	15,783,671
	<u>41,315,166</u>	<u>36,336,195</u>
<b>c) Due from related parties</b>		
Due from Water Services Companies	499,206,681	512,409,813
	<u>499,206,681</u>	<u>512,409,813</u>
<b>d) Due to related parties</b>		
Due to county Busia	1,552,802	1,552,802
	<u>1,552,802</u>	<u>1,552,802</u>

## 29. Financial Risk Management

The Agency's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Agency's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its

performance by setting acceptable levels of risk. The Agency does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company's financial risk management objectives and policies are detailed below:

**(j) Credit risk**

The company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables.

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

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

	Fully performing	Past due	Impaired
As at 30 June 2022	Ksh	Ksh	Ksh
Trade receivables	40,617,601	499,206,681	-
Bank balances	29,567,555		-
<b>As at 30 June 2021</b>	<b>Ksh</b>	<b>Ksh</b>	<b>Ksh</b>
Trade receivables	235,811,362	512,409,813	-
Bank balances	12,118,894		-

The customers under the fully performing category are paying their debts as they continue operating. The credit risk associated with past due receivables is minimal and the allowance for uncollectible amounts that the Agency has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The bank balance consists of funds held in savings and current accounts.

The Agency has significant concentration of credit risk on amounts due from Water Service providers. The board of directors sets the Agency's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**(ii) Liquidity risk management**

Responsibility for liquidity risk management rests with the Agency directors, who have built an appropriate liquidity risk management framework for the management of the Agency's short, medium and long-term funding and liquidity management

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requirements. The Agency manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Agency under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 90days equal their carrying balances, as the impact of discounting is not significant. The liability will however be disposed of when funding is received from WSPs, GOK or the defects liability period for projects is complete.

	Less than 30 days	Between 30-90 days	Over 90days	Total
Trade Payables As At 30 June 2022	5,723,432	4,286,906	115,358,076	150,348,091
Trade Payables As At 30 June 2021	46,296,463	18,654,116	141,640,744	206,591,323

**(iii) Market Risk**

The Agency has put in place an internal audit function to assist it in assessing the risk faced by the LVNWWDA on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate and foreign exchange rates which will affect the Agency's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Agency's Finance and Strategy department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the Agency's exposure to market risks or the manner in which it manages and measures the risk.

**(a) Foreign Currency Risk**

The Agency has transactional currency exposures. Such exposure arises through purchases of works, goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid within 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

As at the end of the reporting period the agency did not have any assets or liabilities denominated in foreign currency.

**(b) Interest Rate Risk**

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

**Management of interest rate risk**

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

**(iv) Capital management**

Capital managed by the Agency is the equity attributable to the equity holders (GOK). The primary objective of the Agency's capital management is to ensure that it maintains healthy capital ratio in order to support its business.

The Water business is currently in the growth phase driven by a rise in demand and Government policy. The funding of Water capacity is obtained from exchequer funding, donor funding from international institutions and cash generated from water asset lease fees. The adequacy of water tariffs allowed by the regulator and the level of Government support are key factors in the sustainability of the Agency.

**30. Contingent Liabilities**

	2022 Ksh	2021 Ksh
Legal Contingent Liabilities	<u>17,900,000</u>	<u>17,900,000</u>

The likely outcome of these suits cannot be determined as at the date of signing these financial statements.

Based on the information currently available, the Directors believe that the ultimate resolution of these legal proceedings would most likely not have a material effect on the results of the Agency's operations, financial position or liquidity.

The following cases were outstanding at year end:

No	Case number	Parties
1	NRB NET 113/2013	Maraba sewerage project case
2	KAKAMEGA ELC 594/2010	Judith Asamba Lishamba vs. Spenco & LVNWWDA
3	Busia Environment & Land Court Petition number 5 of 2015	Wilson Ogola -vs. LVNWWDA & 2 OTHERS
4	Kakamega ELC 161/2014	Charles Alemba Lisamula & Ano. Vs. LVNWWDA
5	Civil Appeal No. 278 of 2016	Amatsi Water Services Company Ltd -VS- Francis Shire Chachi & LVNWWDA
6	Bungoma CMCC 269/2014	Ryan Bunyasi Vs. LVNWWDA

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7	Bungoma ELC Case No. 3 of 2015	Solomon Kipchoke Kipsigei and Alex Kipsigei Vs. LVNWWDA, County Government of Bungoma & Others
8	KSM CIVIL APPEAL NO. 78 OF 2018	Eng. Alfred O. Amombo vs LVNWWDA & Hon. Joseph K. Lagat
9	KSM ELRC NO 337/2017	Kenneth Indusa -vs- LVNWWDA.
10	NRB HCCC PETITION NO. 277 OF 2017	Council of County Governors -vs- LVNWWDA & 15 Others
11	KSM ELRC NO. 59 of 2018	Peter Kiplangat Bett -vs- LVNWWDA & Hon. Joseph Lagat
12	KIMILILI CMC ELC CASE 47 of 2018	Nancy Wanyonyi -vs- LVNWSB & 2 Other
13	VIHIGA CMC ELC Case No. 1 of 2019	Joseph Sabwa & Others -VS- LVNWSB & Ano.
14	KKMG CMC Case No. 175 of 2015	Patrick Boy Makari -vs - LVNWSB
15	BGM CMC Case 138 of 2017	Kennedy Wafula -vs- LVNWSB
16	NRB HC Petition No. 276 of 2019	Emmanuel Buchichi 2 Others -vs- LVNWWDA
17	Kitale CMC Case No. 107 of 2019	Juliet Naliaka Mayeku vs LVNWSB
18	Butali SPM Case No. 117 of 2019	Abigael Namasake vs LVNWSB
19	Butali SPM Case No. 118 of 2019	Geoffrey Nathan vs- LVNWSB
20	KSM ELRC Petition No. 11 of 2020	Joseph Oyolo & Ano vs LVNWSB

**31. Events after the reporting period**

As at 30<sup>th</sup> June 2022, Kshs 12,500,000 (Twelve million five hundred shillings) was in transit from the Parent Ministry. These amounts were for development projects.

**32. Dividends/surplus remission**

LVNWWDA did not make any surplus during the year (FY 2021/2022) and hence no remittance to the Consolidated Fund.

**33. Taxation**

LVNWWDA is a government parastatal and as such is not expected to pay taxes.

**34. Deferred tax liability**

LVNWWDA is a government parastatal and as such is not expected to pay taxes.

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**35. Ultimate and holding entity**

The entity is a State Corporation under the Ministry of Water & Sanitation and Irrigation. Its ultimate parent is the Government of Kenya.

**36. Currency**

The financial statements are presented in Kenya shillings (Kshs).

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18. APPENDICES


APPENDIX I: 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.


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1. Receivables from Non-Exchange Transactions	Imprest due from staff of Kshs 818,691 have been outstanding for over 90 days out of which imprest totalling Kshs 669,830 relate to thirteen (13) employees who are no longer employees of the agency. Further, imprest totalling Kshs 349,740 relating to fourteen (14) officers were not included in the imprest register.	Provided clarifications & reconciled the amounts.	CPA Anthony Kisaka CMF& RM	Resolved	
2. Capital Works in Progress	The statement of financial position included additions for the year of Kshs 20,542,061 that were not supported by payment vouchers	Provided support documents for the expenditure.	CPA Anthony Kisaka CMF& RM	Resolved	
3. Cash and Cash Equivalents	Balances in three (3) bank accounts totalling Kshs 361,733 were not supported by certificates of bank balances.	Provided certificates of bank balances.	CPA Anthony Kisaka CMF& RM	Resolved	

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4. Trade and Other Payables from Exchange Transactions	Other payables balance is Kshs 6,874,836. However, the supporting schedule reflects a balance of Kshs 12,858,938 resulting to a variance of Kshs 5,984,102.	Reconciled, restated and included a disclosure relating to the period.	CPA Anthony Kisaka CMF& RM	Resolved	
5.1 Land and Building Balance	Property, plant and equipment excludes undetermined value of land and buildings where the Agency offices are housed	The Agency is processing the title deed.	CS Elizabeth Ngala Corporation Secretary	Not Resolved	1 Year
5.2 Inaccuracy of Depreciation Charge on Motor Vehicle	Depreciation charge of kshs 20,732,491 has been computed on already fully depreciated motor vehicles and no documentary evidence was provided to support revaluation of motor vehicles if any.	Reconciled, restated and included a disclosure relating to the period.	CPA Anthony Kisaka CMF& RM	Resolved	
5.3 Motor Vehicle Ownership Documents	Logbooks for nine (9) motor vehicles still in use by the Agency were not provided for audit review	Provided logbooks for the motor vehicles.	CPA Anthony Kisaka CMF& RM	Resolved	
6. Unsupported Long Term Loan Balances	Supporting schedules showing principal amounts, repayments during the year and the balances as at 30 June, 2021 for Long - term loans due balance of Kshs 781,081,029 were not provided for audit review.	Provided supporting schedules for the long term loans due.	CPA Anthony Kisaka CMF& RM	Resolved	

  
.....  
Chairman of the Board

Date.....

  
.....  
Chief Executive Officer

Date.....

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

S/No	Project title	Project Number	Donor	Period/ duration	Donor commitment (Kshs Millions)	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	Vihiga Cluster Water Project	1107105301	Belgium	Aug 2018-Dec 2020	1,700	No	Yes
	<b>Total</b>				<b>1,700</b>		

Status of project implementation

Project	Total Project cost(million)	Total Expenditure to date	Completion level (%)	Budget (millions)	Actual (Millions)	Sources of funds	Remarks
Vihiga Cluster Water Projects	1,700	1,776.8	100	200	0	The Royal Government of Belgium and Government of Kenya	Three water supplies for Kaimosi, Mbale and Maseno Towns of total capacity of 12,500m <sup>3</sup> /day were completed and taken over on 31 <sup>st</sup> March, 2021. Monitoring of defects ended on 30 <sup>th</sup> March, 2022.
Sirisia - Chwele (KOICA II - Chepyuk-Kibabii Complex) Water Supply project	440	106	2%	100	100	Korean International Cooperation Agency (KOICA) and the Government of Kenya	Project design of capacity 4,200m <sup>3</sup> /day from Terem River has been designed. A two years works contract of (USD3,499,888.88) was signed between the Korea International Cooperation Agency (KOICA) and the contractor- Shanxi Geological Engineering Exploration Institute Limited on 13 <sup>th</sup> May, 2021.

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Project	Total Project cost(million)	Total Expenditure to date	Completion level (%)	Budget (millions)	Actual (Millions)	Sources of funds	Remarks
Malava Water Supply projects	920.1		2%	100	62.5	GoK	The works involve construction of three Water Supply Schemes of Malava Town (capacity 3,556m <sup>3</sup> /day estimated to cost 340 million), Namagara (capacity 2,000m <sup>3</sup> / day estimated to cost 291.5million) and Shirungu (capacity 1,200m <sup>3</sup> /day estimated to cost 289million).
Soy-Kosachei	780		5%	22.5	0	GoK	A water supply project of capacity 7,500m <sup>3</sup> /day has been proposed utilizing Nervillus dam as the source of water. Condition survey for this dam and design of water supply have been carried out. Additionally, this dam has been de-silted.

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME: Lake Victoria North Water Works Development Agency  
Break down of Transfers from the Ministry of Water & Sanitation and Irrigation  
FY 2021/2022

a. Recurrent Grants

<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
11-8-2021	10,666,667	2021/2022
7-9-2021	10,666,667	2021/2022
29-9-2021	10,666,666	2021/2022
4-11-2021	10,666,667	2021/2022
2-12-2021	10,666,667	2021/2022
10-1-2022	10,666,666	2021/2022
7-2-2022	10,666,667	2021/2022
2-3-2022	10,666,667	2021/2022
4-4-2022	10,666,666	2021/2022
9-5-2022	10,666,667	2021/2022
7-6-2022	10,666,667	2021/2022
30-7-2022	10,666,666	2021/2022
<b>Total</b>	<b>128,000,000</b>	

b. Development Grants

<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
6-10-2021	25,000,000	2021/2022
8-10-2021	12,000,000	2021/2022
4-11-2021	11,750,000	2021/2022
19-11-2021	25,000,000	2021/2022
25-11-2021	36,265,000	2021/2022
16-5-2022	12,500,000	2021/2022
23-6-2022	10,222,000	2021/2022
6-7-2022	12,500,000	2021/2022
<b>Total</b>	<b>145,237,000</b>	

The above amounts have been communicated to and reconciled with the parent Ministry



Chief Manager Finance & Resource  
Mobilization,  
Lake Victoria North Water Works  
Development Agency



Head of Accounting Unit,  
Lake Victoria North Water  
Works Development Agency

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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date Received	Nature: Recurrent/ Development	Total Amount - Kshs	Where Recorded/recognized					Total transfers during the year
				State- ment of Finan- cial Perfor- mance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Eldowas Water and Sanitation Company Limited	10/25/2021	Development	6,189,419				X		6,189,419
Eldowas Water and Sanitation Company Limited	10/25/2021	Development	4,356,086				X		4,356,086
Eldowas Water and Sanitation Company Limited	2/10/2022	Recurrent	2,357,364				X		2,357,364
Amatsi Water and Sanitation Company Ltd	2/11/2022	Recurrent	30,000				X		30,000
Nzoia Water and Sanitation Company Ltd	2/11/2022	Recurrent	100,000				X		100,000
Eldowas Water and Sanitation Company Limited	3/10/2022	Recurrent	2,357,364				X		2,357,364
Eldowas Water and Sanitation Company Limited	3/29/2022	Recurrent	100,000				X		100,000
Nzoia Water and Sanitation Company Ltd	3/30/2022	Recurrent	200,000				X		200,000
Eldowas Water and Sanitation Company Limited	4/26/2022	Development	6,157,351				X		6,157,351
Eldowas Water and Sanitation Company Limited	4/26/2022	Development	4,333,515				X		4,333,515
Nzoia Water and Sanitation Company Ltd	5/17/2022	Recurrent	200,000				X		200,000
Eldowas Water and Sanitation Company Limited	5/18/2022	Recurrent	2,357,364				X		2,357,364
Nzoia Water and Sanitation Company Ltd	5/18/2022	Recurrent	200,000				X		200,000
Nzoia Water and Sanitation Company Ltd	6/9/2022	Recurrent	200,000				X		200,000
<b>Total</b>			<b>29,138,463</b>						<b>29,138,463</b>