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DATE: 18 NOV 2021	DAY.
<b>REPORT</b>	
BY:	
CLERK-AT THE-TABLE:	

**OF**

**THE AUDITOR-GENERAL**

**ON**

**LAKE VICTORIA SOUTH WATER  
WORKS DEVELOPMENT AGENCY**

**FOR THE YEAR ENDED  
30 JUNE, 2019**





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LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2019

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



**Lake Victoria South Water Works Development Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2019**

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	Page
Table of Contents	
KEY AGENCY INFORMATION AND MANAGEMENT .....	i
KEY AGENCY INFORMATION AND MANAGEMENT (Continued) .....	i
THE BOARD OF DIRECTORS .....	
MANAGEMENT TEAM.....	xi
REPORT OF THE CHIEF EXECUTIVE OFFICER.....	xi
CORPORATE GOVERNANCE STATEMENT .....	xvi
MANAGEMENT DISCUSSION AND ANALYSIS .....	x
CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY.....	xi
REPORTING .....	xi
REPORT OF THE DIRECTORS .....	xx
STATEMENT OF DIRECTORS' RESPONSIBILITIES .....	xxi
STATEMENT OF FINANCIAL PERFORMANCE.....	
STATEMENT OF FINANCIAL POSITION.....	
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019 .....	
STATEMENT OF CASH FLOWS.....	
FOR THE YEAR ENDED 30 <sup>TH</sup> JUNE 2019.....	
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS .....	
NOTES TO THE FINANCIAL STATEMENTS.....	
APPENDIX II: PROJECTS IMPLEMENTED BY THE AGENCY.....	E
APPENDIX III: INTER-AGENCY TRANSFERS.....	E
APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES.....	E

## **KEY AGENCY INFORMATION AND MANAGEMENT**

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

Lake Victoria South Water Works Development Agency was incorporated/ established under the Water Act of 2016 on legal notice no.27 on 26th April 2019. The Agency is domiciled in Kenya and has no branches.

The Agency was formerly Lake Victoria South Water Services Board was established on 12th March 2004 vide gazette Notice No. 1714 under the Water Act 2002 as a state corporation reporting to the Ministry of Water and Irrigation. The Board is responsible for the efficient and economical provision of Water and Sanitation Services in its area of jurisdiction.

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

Provision of efficient and economical water and sanitation within its area of jurisdiction as authorized by the Water Services Provision License and mandated by Section 53(1) of the Water Act 2002". The main functions of the as per the above mandate are:

- Undertake development, maintenance, and management of national public water works within our area of jurisdiction.
- Own and manage water related assets
- Collaboration with all stakeholders both within and outside water sector to mobilize finances and provide related social infrastructure.
- Provide technical services and capacity building to county governments and water service providers.
- Provide the Cabinet secretary in charge of water with technical support in the discharge of his/her functions.
- Provide reserve capacity for purposes of providing water services where need arises.

#### **VISION:**

"Sustainable water and sanitation infrastructure for all"

#### **MISSION:**

To develop viable water and sanitation infrastructure, working closely with our Stakeholders to improve quality of life"

#### **STRATEGIC OBJECTIVES**

The Board's strategic objectives are to:

1. Develop and manage national public water and sanitation infrastructure to increase water services coverage from 60% to 80% (water) and sanitation 43% to 50% by 2022.
2. Strengthen water sector institutions in 10 counties by 2022
3. Enhance financial sustainability by increasing revenue from Ksh.239M to Ksh.372 M by 2022
4. Strengthen internal processes and human resource capacity to enhance efficiency in service delivery by 2022

**Lake Victoria South Water Works Development Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2019**

**(c) Key Management**

The Board's day-to-day activities are managed by the following:

- The Board of Directors
- Chief Executive Officer
- Chief Managers
- Managers

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Eng. Petronilla A. Ogut, OGW
2.	Acting Chief Manager Technical Services	Eng. Daniel Oronje
3.	Chief Manager Finance	CPA Francis John Adongo
4.	Chief Manager Human Resource & Admin	Mr Sammy Kigen
5.	Chief Manager Corporate Planning	Ms Phyllis Chepkemboi

**(e) Fiduciary Oversight Arrangements**

Lake Victoria South Water Services Board had three constituted committees and the new organization Lake Victoria South Water Works Development Agency has four constituted committees out of which the key fiduciary oversight committees are:

**i. Finance, Human Resource & Administration Committee** This committee oversees the accounting and financial reporting, Human resources and procurement processes of the Board. In this regard, the Committee is charged with the responsibility of receiving, approving and recommending guidelines for the financial matters of the Board. It is also responsible for monitoring the finances, human resource and administration policies in coordination with the Chief Executive Officer and the respective heads of Departments in the organization.

**ii. Risk & Audit Committee.**

The Committee reviews the financial reports to establish the condition of the Authority and receives reports on the findings of the internal and external audits. The Committee tracks the actions on audit findings; in addition, the Committee regularly reviews and reports to the Board on the effectiveness of the Authority's systems of internal controls.

**iii. Technical, Strategy & Business Development Committee.**

This committee deals with the Issues arising from LVSWSB 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.

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

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**KEY AGENCY INFORMATION AND MANAGEMENT (Continued)**

**Board Meetings**

The board has four scheduled meetings per year for full Board and committees and meets as necessary to deliberate on specific or urgent matters. In the financial year 2018/19 the board met every quarter.

**(f) Agency Headquarters**

Lake Victoria South Water Works Development Agency  
Lavictors House, Ring road Milimani  
P O Box 3325- 40100  
KISUMU, KENYA

**(g) Agency Contacts**

Telephone: (254) 020-2157233  
Fax: (254)057-2025127  
E-mail: [info@lvswwda.go.ke](mailto:info@lvswwda.go.ke)  
Website: [www.lvswwda.go.ke](http://www.lvswwda.go.ke)

**(h) Agency Bankers**

1. Kenya Commercial Bank Limited  
Kisumu Branch  
P O Box 17-40100  
KISUMU, KENYA

2. Co-operative Bank of Kenya  
P.O Box 157-40100  
KISUMU

**(i) Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084 - 00100  
Nairobi, Kenya



**(j) Principal Legal Adviser**

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




**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

**THE BOARD OF DIRECTORS**



The Board of Directors of Lake Victoria South Water Services Board were as follows;

No.	NAME	HIGHEST ACADEMIC QUALIFICATION, RESPONSIBILITIES and WORK EXPERIENCE
•	 Mr. Joseph M. Mbatha( Rep. CS. Treasury)	<p>Born on 29<sup>th</sup> September 1971            Appointed on 24<sup>th</sup> November 2017 as non-executive Director to represent the Cabinet Secretary National Treasury            Master of Business Administration (MBA)            Bachelor of Commerce (B.Com)            Board Member</p> <p><u>Work Experience</u></p> <ul style="list-style-type: none"> <li>• 2017 to date – Deputy Director, Intergovernmental fiscal Relation department</li> <li>• 2013 – 2016 – Director of Administration, County Government of Machakos</li> <li>• 2012 – 2013 – town Clerk, Town Council of Kangudo Ministry of Local Government</li> <li>• 2012 – Town Clerk, Town Council of Rumuruti, Ministry of Local Government</li> <li>• 2011 – 2012 – Town Clerk, Municipal Council of Homa Bay, Ministry of Local Government.</li> <li>• 2009 – 2011- County Treasurer, County Council of Meru Central, Ministry of Local Government</li> <li>• 2008 – 2009 - Town Treasurer, Municipal Council of Machakos, Ministry of Local Government</li> <li>• 2005 – 2008 – county Treasurer, County Council of Bungoma</li> <li>• 2005 – County Treasurer, County Council of Isiolo, Ministry of Local Government.</li> <li>• Continued as Director representing National Treasury.</li> </ul>
•	 Eng. Jacob Mwakio	<p>Born on 2nd March, 1983            Appointed on 28th June 2018 as non-executive Director to represent the Principal Secretary for Ministry of Water and Sanitation            Master of Engineering in Urban Water Engineering and Management            Master of Science in Municipal Water and Infrastructure            Board Member</p> <p><u>Work Experience</u></p> <ul style="list-style-type: none"> <li>• 16th August, 2011to date Ministry of Water &amp; Sanitation, Engineer I [Water]</li> <li>• 28th April, 2008 to 15th Aug, 2011 Ministry of Water and Irrigation, Engineer II (Water &amp; Sewerage)</li> <li>• 18th Jan, 2012 to 6th Aug. 2012 Deployed as Manager. Urban Water Services Board</li> </ul>

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

		<ul style="list-style-type: none"> <li>• 12th Nov, 2008 to 18th January, 2012 Lake Victoria South Water Services Board Kisumu Deployed as Water Services Provision Officer – Head of Urban Water Services Division</li> <li>• 28th April, 2008 to 28th October, 2008 Deployed as Engineer II (Water &amp; Sewerage) – Construction Division - Water Services Department.</li> </ul> <p>Was substituted.</p>
•	 <p>Mrs. Consolata Adhiambo Onguto</p>	<p>Born on 22rd October 1965. Appointed on 17<sup>th</sup> June 2016 up to 8<sup>th</sup> February 2019 as non-executive director.          Bachelor of Education Arts.          Board Member</p> <p><b>Work Experience</b></p> <ul style="list-style-type: none"> <li>• 2012- Training of Trainers- Providing voter education in Central Region.</li> <li>• 2005 – 2007 – Programme Officer supporting programme coordinator in documentation of GOAL Kenya’s children in difficult circumstances.</li> <li>• 200 – 2001 Personal Assistant to County Commercial Manager British Airways,</li> <li>• Handling passenger complaints and correspondence, Embassy of the Republic of Korea.</li> <li>• 1992 – 1996 - Personal Assistant to His Excellency the Ambassador</li> <li>• 1989 – 1992 – Teachers Service Commission.</li> <li>• The term expired in April 2019</li> </ul>
•	 <p>Mrs. Rose Aluoch Gonda</p>	<p>Born on 15<sup>th</sup> December 1963. Appointed on 17<sup>th</sup> June 2016 up to 8<sup>th</sup> February 2019 as non-executive director.          Masters in Commerce.          Board Member</p> <p><b>Work Experience</b></p> <ul style="list-style-type: none"> <li>• 1990 – 1991 – A teacher at Dede Girls High School.</li> <li>• 1991 – Growers Accountant at South Nyanza Sugar Company</li> <li>• 1993, transferred to credit section as Creditors accountant.</li> <li>• 1993 – 1995 - Transferred to management accounts department management accountant.</li> <li>• 1995 – 1997 – Accountant Grade 1 Concord Insurance Co. Ltd</li> <li>• Director Biz point Company.</li> <li>• The tenure expired in April 2019</li> </ul>
•		<p>Born on 1<sup>st</sup> November 1978. Appointed on 17<sup>th</sup> June 2016 up to 8<sup>th</sup> February 2019 as non-executive director.          Diploma in project management.          Board Member</p> <p><b>Work Experience</b></p> <ul style="list-style-type: none"> <li>• Dealer in Supply of Petrol from Nakuru depot to Kisii and Kisumu</li> <li>• Matatu Business areas covered Nairobi and Kisii.</li> </ul>

**Lake Victoria South Water Works Development Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2019**



	<p>Mr. Victor O Omanwa</p>	<ul style="list-style-type: none"> <li>• Manager Real Estate</li> <li>• Director Sylvo International Construction Company Ltd.</li> <li>• Was reappointed as independent Director.</li> </ul>
<ul style="list-style-type: none"> <li>•</li> </ul>	 <p>Prof. Joash Barack Okeyo Owuor</p>	<p>Born on 10<sup>th</sup> July 1949. Appointed on 17<sup>th</sup> June 2016 up to 8<sup>th</sup> February 2019 as non-executive director. PHD in Environmental Biology. Professor of Environmental Biology and Health. Board Member <b>Work Experience</b></p> <ul style="list-style-type: none"> <li>• Founder and Director General of Victoria Institute for Research Environmental and Development (VIRED) International Kisumu</li> <li>• Has 25 professional expertise and working experience in Agriculture, Food Security Nutrition and Ecosystem and Natural Resources management in Tropical Africa.</li> <li>• Managing several Donor funded collaboration research and community based projects including the UNDP Supported Nyar Wetland Conservation.</li> <li>• SIDA funded efficient management of Waste Water.</li> <li>• The ASARECA funded on payments for Environmental Services Trans boundary landscapes in East and Central Africa.</li> <li>• FAO, USAID AND JICA funded community based Flood Mitigation projects in Lake Victoria Basin.</li> <li>• Project Coordinator of the No sex for Fish (NSFF) Project in Lake Victoria Basin.</li> <li>• Senior research scientist at ICIPE IN Kenya and Somalia.</li> <li>• Managing Director Lake Basin Development Authority</li> <li>• President of Africa wide ARPPIS Scholars Association (ASA) among others.</li> <li>• Lead Consultant in numerous environmental management and food security projects in Kenya, Somalia, DRC, and Mozambique</li> <li>• 2010 received Presidential award of Elder of Burning Spear (EBS) of Kenya.</li> </ul> <p>The tenure expired in April 2019.</p>
<ul style="list-style-type: none"> <li>•</li> </ul>		<p>Born in 1968. Reported on 8<sup>th</sup> August 2016 as Chief Executive Officer</p> <p><b>Qualifications:-</b> Masters in Business Administration, Post graduate Diploma in Corporate Finance &amp; Management, Master of Science Degree in Hydro-informatics and Bachelor of Science Degree in Civil Engineering. Registered Engineer with Engineers Board of Kenya (EB) and member of the Institution of engineers of Kenya</p> <p><b>Work experience:-</b></p> <ul style="list-style-type: none"> <li>- August 2016 to current- Chief Executive Officer Lake Victoria South Water Services Board responsible for the day to day business</li> </ul>

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**



Ogut OGW	<ul style="list-style-type: none"> <li>- October 2015 to July 2016 Lecturer Technical University of Kenya in the department construction and civil engineering</li> <li>- November 2009 to March 2014: Managing Director National Water Conservation and Pipeline Corporation responsible for the day to day business of the Corporation</li> <li>- October 2005 to October 2009- Chief Manager Technical Services Lake Victoria South Water Services Board responsible for all technical aspects related to Engineering Planning, design and implementation of water and sewerage services</li> <li>- November 2004 to September 2005 manager Urban Water Service Provider Lake Victoria South Water Services Board responsible for contracting of water service providers and enforcing compliance to Water Services Provision Agreements</li> <li>- October 2004 Deputy Chief Development Services Manager National Water Conservation and Pipeline Corporation responsible for construction supervision and contract management</li> <li>- June 2003 to September 2004:- Deputy Chief Inspection &amp; Technical Manager National Water Conservation and Pipeline Corporation responsible for Coordination of Technical &amp; Financial Inspection of projects. Team leader for evaluation of consultants performance under Malindi Management Contract</li> <li>- July 2002 to June 2003:- Deputy Chief Operations Manager National Water Conservation and Pipeline Corporation responsible for coordination of operations and maintenance of water supplies including bulk water supply system in the coastal region</li> <li>- April 1999 – August 2001:-Engineer I National Water Conservation &amp; Pipeline Corporation responsible for Project proposal writing, Technical report writing and Performance monitoring &amp; evaluation</li> <li>- February 1993 to September 1997-Deputy Regional Manager – western Region National Water Conservation and Pipeline Corporation responsible for operations and maintenance of water supplies</li> <li>- December 1990 –January 1993: Assistant Engineer Water-Rift Valley Region National Water Conservation and Pipeline Corporation responsible for coordination and operation of water supply systems.</li> <li>- The contract expired in July 2019</li> </ul>
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**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**


The Board of Directors for the new Agency Lake Victoria South Water Works Development Agency

NO	NAME	HIGHEST ACADEMIC QUALIFICATION, RESPONSIBILITIES and WORK EXPERIENCE
•	 Mr. Paul K. Bii	<p>Born on 23<sup>rd</sup> January 1961. Appointed on 8<sup>th</sup> February 2019 as the Chairman of the Board of Directors of Lake Victoria South Water Works Development Agency.</p> <p>Bachelor of Arts in Peace and Conflict Studies, Africa Nazarene University</p> <p>Diploma in Peace and Conflict Studies, Africa Nazarene University</p> <p>Primary Teachers Certificate P1 – Mosoriot Teachers Training College</p> <p><b><u>Work Experience</u></b></p> <ul style="list-style-type: none"> <li>• 2013 – 2017 Member of Parliament for Chepalungu</li> <li>• 2008 - 2013 Executive Secretary for Bomet County KNUT</li> <li>• 1988 - 2008 Teacher under Teachers Service Commission (TSC)</li> <li>• 1985 - 1988 Police Officer (Kenya Police)</li> <li>• 1984 - 1985 Administration Police Officer of (Kenya Police)</li> </ul> <p><b><u>Parliamentary Committee Membership</u></b></p> <hr/> <p>2013 – 2017 Member of the Departmental Committee on Justice &amp; Legal Affairs</p>
•	 Mr. William Oduol	<p>Appointed on 2<sup>nd</sup> February 2019 as non-executive director. Born on 24<sup>th</sup> December 1971. Appointed on 2<sup>nd</sup> February 2019 as non-executive director of the Board of Lake Victoria South Water Works Development Agency. Currently, the Chairman of the Infrastructure Development and Technical Assistance Committee of the Board.</p> <p>PhD Student – Leadership &amp; Governance</p> <p>Masters of Business Administration, Strategic Management</p> <p>Bachelor of Science, International Business Administration</p> <p>Certified Public Accountant – CPA (K)</p> <p>Certified Public Secretary – CPS (K)</p> <p><b><u>Work Experience</u></b></p> <ul style="list-style-type: none"> <li>• Dec 2008 – Dec. 2015 - Group CEO Westcon Group Africa Ltd.</li> <li>• Dec 2005 – Dec 2008 - Head of Channel Business and OEM LEAD Microsoft East &amp; Southern Africa Ltd</li> </ul>

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

		<ul style="list-style-type: none"> <li>• Sep 2002 – Oct 2004 - General Manager, Cellmart Ltd</li> <li>• Aug 2000 – Aug 2002 - Dealer Sales Manager, Safaricom Limited</li> <li>• July 1997 – May 2000 - Field Marketing Manager, Coca- Cola Africa Ltd</li> <li>• Dec 1994 – June 1997 - Marketing Expenses Controller, Coca-Cola Ltd, Nairobi</li> <li>• Jul 1994 – Nov 1994 - Assistant Management Accountant, Sterling Health, Nairobi</li> <li>• Jun 1993 – Jun 1994 - Audit Assistant, Sterling Health, Nairobi</li> <li>• May 1992 – May 1993 - Audit Clerk, Sterling Health, Nairobi</li> </ul>
<ul style="list-style-type: none"> <li>•</li> </ul>	 <p>Ms. Ann Michura</p>	<p>Born on 5<sup>th</sup> April 1968. Appointed on 2<sup>nd</sup> February 2019 as non-executive director of the Board of Lake Victoria South Water Works Development Agency. Currently, the Chairperson of the Finance, Human Resource and Administration Committee of the Board.</p> <p>PhD Student at the Chuka University  Masters in Zoology (Entomology)  Bachelors Bed Science</p> <p><b>Work Experience</b></p> <ul style="list-style-type: none"> <li>• 2010 to present - Lecturer and Researcher, Chuka University</li> <li>• 2006 to 2010 - Business, Betem Farm Supplies, Nakuru/Part time lecturer, Egerton and Kabarak universities/Consultant – Integrated Agro- Services Consultancy, Nakuru</li> <li>• 2005 to 2006 - Biology Lecturer, Ayshire, Scotland</li> <li>• 2003 to 2005 - Product Development Manager, Crop Protection, Pyrethrum Board of Kenya</li> <li>• 2001 to 2003 - Research Officer, Pyrethrum Board of Kenya</li> <li>• 1993 to 2001- TSC, Biology teacher, Njoro Boys High School.</li> </ul>
<ul style="list-style-type: none"> <li>•</li> </ul>	 <p>Mr. Erick Okeyo  MBS, MKIM</p>	<p>Born on 5<sup>th</sup> May 1974.  Appointed on 2<sup>nd</sup> February 2019 as non-executive director.</p>
<ul style="list-style-type: none"> <li>•</li> </ul>	<p>Ms. Rosemary Rop</p>	<p>Born on 23<sup>rd</sup> April 1967. Appointed on 2<sup>nd</sup> February 2019 as non-executive director of the Board of Lake Victoria South Water Works Development Agency. Currently, the Chairperson of the Strategy, Resource Mobilization and Business Development Committee of the Board.</p>

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

		<p>Master of Arts in Anthropology, University of Nairobi,          Bachelor of Arts in Anthropology and Political Science,          Post Graduate Diploma in Organizational Leadership</p> <p>World Bank certifications –</p> <ul style="list-style-type: none"> <li>○ Operational Core Curriculum, World Bank training Task Team Leader for lending operations</li> <li>○ <i>World Bank Trust Fund Accreditation (TFLAP)</i></li> </ul> <p>Certificate in Water and Electricity Regulation, Institute of Public and Private Partnerships.</p> <p>Leadership training for Managers - June 2002 Dale Carnegie.          Participatory Rural Appraisal Training of Trainers and          Participatory Hygiene and Sanitation Transformation (PHAST) Trainer of Trainers.</p> <p><b><u>Work Experience</u></b></p> <ul style="list-style-type: none"> <li>• January 2018 to date - Session Lead / Lecturer, Course on Water and Sanitation in Low income Communities, Milken School of Public Health, George Washington University,</li> <li>• June 2018 to date - Director, Board of Ernestea Ltd.</li> <li>• June 2017 to June 2019 - Water and Social Development Consultant World Bank,</li> <li>• 2016-2017 Water and Gender Consultant, Caribbean Development Bank,</li> <li>• June 2013 – May 2017 Water and Sanitation Specialist World Bank Group,</li> <li>• June 2005 – May 2013 - Water and Sanitation Specialist World Bank Group,</li> <li>• 2003 – 2005 - Program Director NGO, <i>Maji na Ufanisi</i> (Water and Development),</li> <li>• 2001 – 2003 - Founding Team Leader, Sustainable Aid in Africa (SANA) International,</li> <li>• 1993 - 2001 - Kenya Environmental Sanitation Advisor BKH Consulting Engineers.</li> </ul>
•	 <p>Mr. Chrisologus Makokha</p>	<p>Born on 10<sup>th</sup> November 1969          Appointed on 28th June 2018 as non-executive Director representing Inspectorate of State Corporation          PhD in Strategic Management,          MBA (Strategic Mgt) and Bsc in Statistics          Board Member</p> <p><b><u>Work Experience</u></b></p> <ul style="list-style-type: none"> <li>• Current position of Snr. Deputy Inspector-General (Corporations)</li> </ul>

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**







		<p>years;</p> <ul style="list-style-type: none"> <li>• Inspector of State Corporations at the Inspectorate of State Corporations</li> <li>• Executive Office of the President for 15 years</li> </ul>
<ul style="list-style-type: none"> <li>•</li> </ul>	 <p>Eng. Petronilla A. Ogut OGW</p>	<p>Born in 1968. Reported on 8<sup>th</sup> August 2016 as Chief Executive Officer.</p> <p><b>Qualifications: -</b>  Masters in Business Administration, Post graduate Diploma in Corporate Finance &amp; Management, Master of Science Degree in Hydro-informatics and Bachelor of Science Degree in Civil Engineering. Registered Engineer with Engineers Board of Kenya (EBK) and member of the Institution of engineers of Kenya</p> <p><b>Work experience:-</b></p> <ul style="list-style-type: none"> <li>- August 2016 to current- Chief Executive Officer Lake Victoria South Water Services Board responsible for the day to day business of the Board</li> <li>- October 2015 to July 2016 Lecturer Technical University of Kenya in the department construction and civil engineering</li> <li>- November 2009 to March 2014: Managing Director National Water Conservation and Pipeline Corporation responsible for the day to day business of the Corporation</li> <li>- October 2005 to October 2009- Chief Manager Technical Services Lake Victoria South Water Services Board responsible for all technical aspects related to Engineering Planning, design and implementation of water and sewerage services</li> <li>- November 2004 to September 2005 manager Urban Water Service Provider Lake Victoria South Water Services Board responsible for contracting of water service providers and enforcing compliance to Water Services Provision Agreements</li> <li>- October 2004 Deputy Chief Development Services Manager National Water Conservation and Pipeline Corporation responsible for construction supervision and contract management</li> <li>- June 2003 to September 2004:- Deputy Chief Inspection &amp; Technical Manager National Water Conservation and Pipeline Corporation responsible for Coordination of Technical &amp; Financial Inspection of projects. Team leader for evaluation of consultants performance under Malindi Management Contract</li> <li>- July 2002 to June 2003:- Deputy Chief Operations Manager National Water Conservation and Pipeline Corporation responsible for coordination of operations and maintenance of water supplies including bulk water supply system in the coastal region</li> <li>- April 1999 – August 2001:-Engineer I National Water Conservation &amp; Pipeline Corporation responsible for Project proposal writing, Technical report writing and Performance monitoring &amp; evaluation</li> </ul>

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

		<ul style="list-style-type: none"><li>- February 1993 to September 1997-Deputy Regional Manager – western Region National Water Conservation and Pipeline Corporation responsible for operations and maintenance of water supplies</li><li>- December 1990 –January 1993: Assistant Engineer Water-Rift Valley Region National Water Conservation and Pipeline Corporation responsible for coordination and operation of water supply systems.</li></ul>
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**Lake Victoria South Water Works Development Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2019**

**MANAGEMENT TEAM**

NAME	KEY QUALIFICATION AND RESPONSIBILITY
 Eng. P.A. Ogut, OGW	Eng. Petronilla A. Ogut is the Chief Executive Officer. Is a holder of BSC degree in Civil Engineering, MSc and MBA. She is a member of the Engineers' Registration Board (ERB) and a member of the Institution of Engineers of Kenya (IEK).
 CPA John Francis Adongo	CPA John Francis Adongo is the Chief Manager Finance. He holds a Bachelor of Business Management (Finance Option) and pursuing Masters in Business Administration. He is a CPA (K) CPS (K) holder and a member of the Institute of Certified Public Accountants (ICPAK).
 Mr. Sammy K. Kigen	Mr Sammy K. Kigen is the Chief Manager Human Resources and Administration. He is a holder of BA in Anthropology and Government and a Higher Diploma in Human Resources Management. He is a member of the Institute of Human Resource Management (IHRM).
 Ms Phyllis Chepkemboi	Ms Phyllis Chepkemboi is the Acting Chief Manager Corporate Planning & She is the Manager Legal and Compliance. She holds a bachelor of LLB, Master of Business Administration in Human Resource Management. She is an Advocate of the High Court of Kenya and a member of the Law Society of Kenya.
 Eng. Daniel Oronje	Eng. Daniel Oronje is the Acting Chief Manager Technical Services & He is the Manager Rural Water and Sanitation. He holds Masters of Arts in Project Planning and Management and Bachelor of Science in Civil Engineering.
 Mr. Mark Mwango	Mr. Mark Mwango is the Internal Auditor. He holds Masters of Business Administration from JKUAT, Bachelor of Commerce and Certified Public Accountant Section IV with Diploma in Information Technology.

**Lake Victoria South Water Works Development Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2019**

**CHAIRMAN'S STATEMENT**

I am pleased to present Lake Victoria South Water Works Development Agency Financial Report for the year ended 30th June 2019. The Agency is among the 8 Water Works Development Agencies established under the Water Act 2016. The Agency is responsible for development of water and sewerage infrastructure within our area of jurisdiction which covers an area of 21,720 Sq. Km, and covers Kisumu, Siaya, Migori, Homa Bay, Bomet, Kericho, Nyamira, Kisii and parts of Nandi and Narok Counties. During the last one year we have realised tremendous progress in development of water and sanitation infrastructure, institutional structures and human resource capital. We support the devolution of water service provision to the County Governments and champion strategic partnerships and collaboration towards economic empowerment and better health of citizens. The Board is committed to improving service provision in all areas in our jurisdiction through development of new water and sanitation projects. During the year under review, the Board made remarkable gains in developing water supply and sanitation infrastructure and these achievements are attributed to the financial and technical support made by our Government and development partners. These development partners include AFD, AfDB, KFW, WSTF, KOICA, Kenya Italy (KIDDP), ORIO and World-Bank. We owe our development partners and the Government of Kenya gratitude for their continued support.

The Agency has also continued on its commitment to quality services provision, adherence to Quality management systems. We look forward to a continued progress in the development of water and sanitation infrastructures including successful commissioning of completed and projects and launching new ones within our area of jurisdiction in the years ahead.

I am confident that in the coming years we will strengthen our collaborations with various stake holders and source for adequate funding and timely support.

I wish to thank my Board of Directors for their continued cooperation and support which has enabled the Lake Victoria South Water Service Board to move forward in the right direction; the Management and the entire staff for their dedication and hard work without which this exemplary performance might not have been achieved. I also wish to acknowledge the significant contributions we received from all our stakeholders which led to implementation of our activities successfully during the financial year. I call upon the stake holders to uphold their support to facilitate expansion of access to adequate, quality and affordable water and sanitation services within our area of service.

*Erick Okeyo*  
**ERICK OKEYO MBS, MKIM  
CHAIRMAN**

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

I am pleased to look back on a full year of water and sanitation infrastructure development for the provision of water and sanitation services in our area of jurisdiction. The new strategic plan 2018/2022 which was recently completed has embedded the Big Four Development Agenda of the Government which provides the Board with renewed focus and a solid foundation.

Our strategic vision has moved from being the most efficient and effective water services Board in Kenya to sustainable water and sanitation infrastructure for all making the organization customer focused.

Through the support of the Ministry of Water and Sanitation and development partners (ADB, KFW, AFD, EIB, RVO etc.) a successful year was realized. Key achievements made during the year include completion of Keroka – Isebania water supply and sanitation project, rehabilitation of water supply systems in the four towns of Kisii, Nyamira, Sotik and Kericho( water sector Development project) expanding of water supply systems in Kisii and Nyamira; career development of interns and institutional capacity building. The Board also strengthened the capacity of Water Services Providers through provision of mobile workshops, vehicles, motorcycles, exhausters and water meters. In the same financial year the National government provided budgetary allocation to support drilling and equipping of several boreholes and construction of small water supplies. This has greatly improved service provision by providing affordable water.

The Board continues to apply various innovative ways in technical assistance and capacity building of our institution and stakeholders. We have launched technical improvements such as solar driven pumping water schemes for rural communities' thus ensuring sustainability of the water services. I commend the County Governments and Water Service Providers in our region for their collaboration and support which has enabled seamless development and implementation of infrastructure.

The financial statements for the year ending 30<sup>th</sup> June 2019 highlights the Agency's continued growth in operations and financial performance. The financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and in the manner required by the Public Finance Management Act which requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The Key drivers of our expenditure were capital intensive construction of water and sanitation infrastructure projects.

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

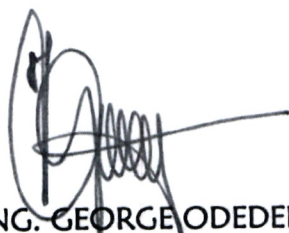
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With the new strategic plan complemented with internal quality systems, the board has set a stronger foundation for its current and future development. The Board continues to implement performance contracting resulting in a rating of very good performance during the year.

During the financial year 2018/2019 the Board undertook Corporate Social Responsibility activities which include supplying some schools with water storage tanks to harvest rain water. The Board also empowered communities through awareness campaigns and public consultation aimed at enhancing community participation in development programs. Through competitive bidding for works, goods and services the Youth, Women and People with Disabilities also contributed to the success of the institution through implementation of projects and provision of goods and services.

On the overall the Board performed well as it achieved its development objectives and met targets during the year despite institutional and economic challenges experienced. We therefore look forward for continued and strengthened partnership with development partners and stakeholders in our service delivery.

I feel incredibly proud of Lake Victoria South Water Services Board and our achievements. I am particularly impressed by the Board's leadership, good customer service culture and the dedication of its staff in infrastructure development which assures great achievements now and in the future. My sincere thanks goes to the parent Ministry of Water and Sanitation, National Treasury, Development partners, water sector institutions, water service providers, county Governments and other stakeholders for their immense support, without which we could not have made these achievements.



**ENG. GEORGE ODEDEH**  
**Ag. CHIEF EXECUTIVE OFFICER**

## **CORPORATE GOVERNANCE STATEMENT**

The Lake Victoria South Water Works Development Agency is committed to the values and principles of good corporate governance. The Board of Directors and Management regard corporate governance as pivotal to the success and are committed to ensuring that the Agency 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 Organization.

### **The Role of the Board of Directors**

The Board of Directors provides leadership through oversight, review and guidance whilst setting the strategic direction for the organization. It is the primary decision-making body for all matters considered as material to the Authority. The Board has a formal schedule of matters reserved for it. The Directors receive appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational, compliance and governance matters. Ultimately, the Board determines the organization's strategic objectives, values, key policies and procedures in accordance with best practice. The Board has delegated the authority for day-to-day management of the organization to the Chief Executive Officer. However, it maintains overall responsibility for the Authority's performance, compliance functions as well as monitoring of its operations and ensuring competent management of the business.

### **Composition of the Board of Directors**

The Board comprised of fifteen (15) members; the Chairman who is a non-executive director, and eleven non-executive directors and two directors from government representing the Principal Secretary for Ministry of Water and Sanitation and the National Treasury. The term of eight directors ended during the year on 17<sup>th</sup> April 2018 and with effect from 18<sup>th</sup> April 2018 the Board were composed of four (4) non-executive directors and two representative directors. The Chief Executive Officer is the Secretary to the Board and its committees. The Board has an appropriate balance of skills, knowledge and experience to perform its role effectively. All directors are subject to periodic re-appointment in accordance with the State Corporations Act, the Office of the President and the Ministry of Water and Irrigation.

### **Induction and on-going development**

On appointment, the directors receive induction training covering the organization's programmes and operations and an appreciation of the key risk areas. The programme includes specific sessions with the management across the units for clarity and better

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

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understanding of the organizations' functions, roles and accountabilities, business model and operations.

The directors are advised of the legal, regulatory and other obligations of a director of a State Corporation. The directors also receive both internal and external training on corporate governance. The Board annually undertakes an evaluation of its effectiveness.

**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. LVSWSB has the following Board committees:-

1. Finance & Human Resource & Administration Committee, whose main duties are: - to review financial statements and annual budgets and to deal with the Employees issues.
2. Risk & Audit Committee, whose main duty is to ensure that the systems of internal control are effective and complied with.
3. Technical, Strategy & Business Development Committee, whose focus is on issues arising from the Board'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 ensuring safeguarding the environment.

**Meetings of the Board**

The Board of Directors met four times during the year. The Board committees also met at least every quarter in the year.

**Organization Structure**

The Agency has a clearly defined organization structure within which individual responsibilities are identified in relation to internal financial controls. The structure is complimented by policies and management operates the business in compliance with these policies. There is a clear division of responsibilities between the Board and Management.

**Management Team**

The Chief Executive Officer leads the Management team which comprises heads of department and other senior staff. The team deals with operation matters and coordinates activities across the board, various departments/divisions, water schemes and water services providers.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Performance

During the period under review, the Agency received development grants amounting to Kshs. 417,000,000 which was higher compared to the previous financial year receipts of Kshs. 324,238,579. The recurrent grant received was Kshs. 69,840,000 against a budgetary allocation of Kshs. 70,560,000.

The Agency incurred a total expenditure of Kshs. 380,933,643 resulting to a deficit of Kshs.13,896,549.

The details of the expenditure is reflected in page one on statement of financial performance and the accompanying notes.

### Operational Performance

In the period under review the Board undertook several water and sanitation projects:

- Water and Sanitation Sector Development Programs in Lake Victoria South for Kericho, Kisii, Nyamira and Litein Towns financed by KFW and GOK where expansion works of water and sanitation infrastructure in Kisii commenced and the other towns are yet to commence. Rehabilitation works on the water supply four the four towns were completed during the year. This is to benefit 661,011 people.
- Feasibility Studies were developed whereby Environmental and Social Impact Assessment, Resettlement Action Plan, Geotechnical Survey and Topography survey reports for Bunyunyu Dam water supply project financed by Orio, Netherlands.
- The Lake Victoria Water and Sanitation Program Phase II financed by GoK and ADB for Keroka, Isebania and Kericho Towns were implemented. Rehabilitation of the sewerage works in Kericho is at 90% work progress while keroka and Isebania towns were completed.
- Several Water boreholes were drilled and completed.
- Kisumu LVWATSAN Project commenced with technical studies and master plan for water resources consultancies. The main works are due to start in the financial year 2018-2019.
- Other Several projects came on Board during the year under review that is HomaBay Water Supply Project, Kenya Towns Water Supply and Sanitation Sustainable water supply and trilateral development Program for HomaBay - Kericho Towns.

Over the years the Board has completed several project with a few still on-going and other investments are planned for implementation. Below is Board's investments analysis.

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

**Table 1. Completed, ongoing and planned investment projects and Beneficiaries per county**

COUNTY	Completed and Ongoing Projects Value Per County 'Kshs'	Number of People to Benefit	Planned Projects Budget Per County 'Kshs'	Number of People to Benefit	Total Investment 'Kshs'	Total Number of People/Beneficiaries
KISUMU	4,527,766,768	606,773	6,850,000,000	550,000	11,377,766,768	1,156,773
KERICHO	1,879,825,044	259,613	500,000,000	70,000	2,379,825,044	329,613
KISII	2,125,029,106	369,670	2,338,000,000	230,000	4,463,029,106	599,670
NYAMIRA	906,486,920	187,838	4,030,800,000	230,000	4,937,286,920	417,838
BOMET	202,032,950	75,750	1,600,000,000	243,488	1,802,032,950	319,238
SIAYA	2,518,027,910	313,806	1,500,000,000	159,390	4,018,027,910	473,196
HOMA BAY	469,774,259	208,985	4,800,000,000	463,944	5,269,774,259	672,970
MIGORI	2,128,664,538	345,807	300,000,000	54,000	2,428,664,538	399,807
NANDI & NAROK	0	0	880,000,000	178,000	880,000,000	178,000
<b>TOTAL</b>	<b>14,757,607,495</b>	<b>2,368,242</b>	<b>22,798,800,000</b>	<b>2,178,822</b>	<b>37,556,407,495</b>	<b>4,547,000</b>

**Major Risks**

The institutions mandate is changing to mainly water and sanitation infrastructure development and Technical Assistant. Financial risk arising from the change in mandate where the Water Service Providers (WSP) will no longer remit levies to the Agency therefore requiring the government to fully finance the recurrent operations. The capacity of Water Service Providers on loan repayment is a risk resulting the need for the Agency to maintain a resources capacity for management of water supply until the loan are fully paid.

**Compliance with statutory requirements**

The Agency complied with all legal provisions of the Acts which affects its operations for example the provisions of Public Finance Management Act, 2012, State Corporations Act, Water Act 2002, Tax laws among others. Change of area of jurisdiction arising from the requirement of the Water Act 2016 with establishment of Water Works Development Agencies.

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

Corporate Social Responsibility (CSR) is very vital to Lake Victoria South Water Services Board. The Board has always been committed to the cause of social service and has repeatedly channelized a part of its resources and activities to the communities in its area of jurisdiction, such that it positively affects the society socially, ethically and also environmentally.

1 Donation of 10,000 Plastic Water tanks

**Lake Victoria South Water Works Development Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2019**

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In the financial year under review, the Agency donated 10,000 litres capacity plastic water tanks worth Kshs2.3 million to 32 primary schools, secondary schools and institutions. Below is a list of the institutions that benefitted.

*The actual list of schools for Corporate Social Responsibility is as follows:*

- 1. Sinyolo Primary School – Kisumu County.*
- 2. Ombaka Primary School – Kisumu County.*
- 3. Ngunya Primary School - Siaya County.*
- 4. Anyiko Primary School - Siaya County.*
- 5. Suneka Sub- County Market – Kisii County.*
- 6. Itibo Rianyabaro Primary School – Kisii County*
- 7. Seretut Secondary School – Kericho County.*
- 8. Koiwalelach Girls Secondary School - Kericho County*
- 9. Ogande Special school for the deaf – Homa Bay County*
- 10. Bishop Okullu Magare Girls – Homa Bay County*
- 11. Sagegi Mixed Secondary School – Migori County*
- 12. Obollo Primary School – Migori County.*
- 13. Tindereti Primary School – Nyamira County*
- 14. Moroko SDA Secondary School – Nyamira*
- 15. Ilokwaya Primary School – Narok County.*
- 16.. Iltolish Primary School – Narok. 17. Toboiyat Primary School – Nandi County.*
- 18. Kiptegai Primary School – Nandi County.*
- 19. Paul Kenduiwo Children's Home – Bomet County*
- 20. Emkwen Vocational Centre – Bomet County.*

The selected institutions lacked rain water harvesting facilities and majority of them are located far from water sources.

Some institutions had water tanks that were not adequate to meet their needs, while some of them were not operational. Provision of the water tanks was aimed at easing access to clean water, and in the long run improving education standards by maximizing the use of time the students waste in going for long kilometres to seek for water. The tender for delivery of the plastic tanks was awarded.

#### **REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Lake Victoria South Water Works Development Agency's affairs.

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

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**Principal activities**

The principal activities of the Agency continue to be Provision of efficient and economical water and sanitation within its area of jurisdiction as authorized by the Water Services Provision License and mandated by Section 53(1) of the Water Act 2002”.

**Results**

The results of the Agency for the year ended June 30, 2019 are set out on page 1

**Directors**

The members of the Board of Directors who served during the year are shown on page v to xii. During the year 2019 all directors term ended and nine directors were appointed with effect from 8<sup>th</sup> February 2019.

**Auditors**

The Auditor General is responsible for the statutory audit of the Lake Victoria South Water Works Development Agency in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended June 30, 2019.

By Order of the Board



**ENG. GEORGE ODEDEH**  
**Ag. CHIEF EXECUTIVE OFFICER**

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of Lake Victoria South Water Works Development Agency, 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 ended on June 30, 2019. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Agency;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the Agency;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

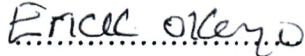
The Directors accept responsibility for the Agency's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Agency's financial statements give a true and fair view of the state of Agency's transactions during the financial year ended June 30, 2019, 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

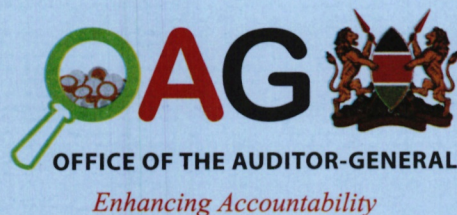
The Agency's financial statements were approved by the Board and signed on its behalf by:

  
.....  
Eng. George Odedeh  
Ag. Chief Executive Officer

  
.....  
Erick Okeyo MBS, MKIM  
Chairman

# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY FOR THE YEAR ENDED 30 JUNE, 2019**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Lake Victoria South Water Works Development Agency set out on pages 1 to 34, which comprise the statement of financial position as at 30 June, 2019, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Lake Victoria South Water Works Development Agency as at 30 June, 2019 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Water Act, 2012, the State Corporation Act Cap 446 and the Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **1. Unsupported Inventory**

As disclosed in Note 21 to the financial statements, the statement of financial position reflects a balance of Kshs.5,214,695 under inventories which includes building materials valued at Kshs.424,508 and water meters valued at Kshs.2,122,580 all of which were not supported by bin cards. The detailed analysis of the inventory held at year end and value of each item(s) of inventory were not provided.

Consequently, accuracy, valuation and existence of inventory amounting to Kshs.5,214,695 as at 30 June, 2019 could be confirmed.

## **2. Unsupported Cash and Cash Equivalents**

As disclosed in Note 22 to the financial statements, the statement of financial position reflects cash and cash equivalents held in fifteen (15) bank accounts amounting to Kshs.191,274,751. However, the supporting documents in form of certificate of bank balance and bank reconciliation statements for four (4) bank accounts with a total balance of Kshs.137,717,300 were not provided. Further, the bank balance for a development account in a commercial bank had un-cleared payments of Kshs.11,311,860 which had become stale. The non-reversal of stale cheques understated the balance in the account by an amount of Kshs.11,311,860.

Further a payment of Kshs.9,105, 860 dated 2 November, 2018 which had not been cleared in the bank as at 30 June, 2019. No evidence was provided on how the payment was cleared or reversed in the cash book as it was not made through a cheque which have a limit of upto Kshs.1,000,000.

In addition, the cashbook of a recurrent account at a commercial bank reflected an overdraft balance of Kshs.2,421,571 while the bank reconciliation statement reflected an overdraft of Kshs.2,037,970, resulting to an unreconciled difference of Kshs. 383,601.

Consequently, the accuracy of cash and cash equivalent balance of Kshs.191,274,751 as at 30 June, 2019 could not be ascertained.

## **3. Unrecorded Loan Interest on Long Term Loans**

As disclosed in Note 25 to the financial statements, the statement of financial position reflects long term loans balance of Kshs.6,658,733,734. However, the Agency did not recognize and quantify the interest on loans in the financial statements as at 30 June, 2019. Hence unknown value of expenditure and possible liabilities were not provided for.

Consequently, the accuracy and completeness of long-term loans balances of Kshs.6,658,733,734 as at 30 June, 2019 could not be confirmed.

## **4. Unsupported Transport Costs**

As disclosed in Note 12 to the financial statements, the statement of financial performance reflects transport costs balance of Kshs.8,871,436. The balance includes motor vehicle fuel amount of Kshs.4,404,370. A review of records indicated that an amount of Kshs.4,280,000 was paid to the National Oil Corporation for the supply of fuel drawn through card system during the year. However, signed contract document between the Agency and the Corporation detailing the terms of contract was not provided.

Further, an amount of Kshs.159,000 was used to fuel Agency vehicles used by the Board Members while making various journeys during the year. However, supporting documents such as work tickets and journey itineraries were not provided.

Consequently, the accuracy and propriety of the motor vehicle fuel expenditure amounting to Kshs.4,404,370 for the year ended 30 June, 2019 could not be ascertained.

## **5. Payables from Exchange Transactions**

As disclosed in Note 24 to the financial statements, the statement of financial position reflects a balance of Kshs.397,074,243 in respect of payables from exchange transactions. A review of the account revealed the following unsatisfactory matters:

### **5.1 Construction of Oseno Dam**

The balance constitutes pans and dams balances of Kshs.27,550,460 which includes Kshs.11,567,517 due to a contractor in respect of construction of Oseno Dam. However, a review of records indicated that the Agency awarded a construction contract through open tender at a cost of Kshs.11,567,517 which according to the Bills of Quantities was a construction of a new dam. Physical verification of the site established that the dam has been in existence since 1950s and therefore the works was for rehabilitation and not construction of a new dam. The Management has also not provided the title deed to the land on which the dam is constructed and there were no documents to show the works had been done on public land.

### **5.2 Unsupported Balances**

Further, the balance includes staff gratuity liabilities totalling to Kshs.8,855,473 and counterpart funding for various donor funded projects amounting to Kshs.340,335,913 which were not supported.

Consequently, the accuracy, completeness and validity of the payables totalling to Kshs.360,758,903 as at 30 June, 2019 could not be confirmed.

## **6. Inaccuracies in Receivables from Exchange Transactions**

As disclosed in Note 23 to the financial statements, the statement of financial position reflects receivables from exchange transactions balance of Kshs.229,895,467. However, the balance excludes previous balances of Kshs.4,632,698 and Kshs.3,186,748 owed by two service providers, Nyanas Water and Sanitation Company Limited and Gulf Water Services Company Limited respectively, as at 30 June, 2018 which had been reduced to nil balance without any supporting documents.

Further, the amount due from water service providers increase from a balance of Kshs.214,826,730 recorded in 2018 to Kshs.239,294,071 while provision for bad debts decreased from Kshs.13,127,075 recorded during the 2017/2018 financial year to Kshs.9,398,604 even though there was no evidence that the providers had been settling their obligations, casting doubt on the adequacy of the provision.

Consequently, the accuracy of receivables from exchange transactions of Kshs.229,895,467 as at 30 June, 2019 could not be confirmed.

## **7. Property, Plant & Equipment - Capital Work in Progress**

As disclosed in Note 19 to the financial statements, the statement of financial position reflects property, plant and equipment balance of Kshs.13,409,028,779. The balance

includes capital work in progress amounting to Kshs.11,196,858,989 representing 84% of the total assets. However, the breakdown of the assets forming the capitalized work in progress including the description of the assets, location, date the project commenced and the status of completion was not provided for audit verification.

Consequently, the accuracy and existence of capital work in progress of Kshs.11,196,858,989 as at 30 June, 2019 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 South Water Development Authority Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Emphasis of Matter**

#### **Non-Disclosure of Contingent Liabilities**

During the year under review, it was observed that the Agency had twenty-five (25) pending legal cases which were not disclosed in the financial statements. Further it was noted that the Agency has not quantified and disclosed contingent liabilities in respect of various claims against the Agency. As at 30 October, 2008, the Agency confirmed that a law firm had claimed legal fees balance of Kshs.31,756,800 that was not settled. The amounts has not been disclosed in the financial statements as at 30 June, 2019.

My opinion is however not modified with the respect to the above matter.

### **Key Audit Matters**

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

## **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. Failure to Remit Pensions Deductions**

As disclosed in Note 24 to the financial statements, the statement of financial performance reflects payables from exchange transactions balance of Kshs.397,074,243. The balance includes accrued staff gratuity amounting to Kshs.8,855,473. The balance constitutes unremitted pensions deductions totaling to Kshs. 5,271,990.98 as per the demand letter ref: NWCPC/HRA/SFIL/23VOL.XVII (94) dated 25 July, 2019 from the National Water Conservation and Pipeline Corporation Staff Pension Scheme. However, contrary to Section 11(3b) of Retirement Benefits Authority, (RBA), 2014 which states that an employer shall not later than 7 working days from the day the employee is paid his salary remit an amount comprising the employee's contribution under paragraph (a) of the subsection and the employer's contribution to the Pension Fund custodian specified by the Pensions Fund Administrator of the employee.

Consequently, the Management is in breach of the law.

### **2. Lack of Title Deeds for Pala Borehole**

During the year under review, the Agency awarded two open tenders for drilling boreholes in Homa Bay County and Kisii County at a cost of Kshs.1,401,830 and Kshs.1,285,640 respectively. Physical verification on the two projects revealed that the Homa Bay borehole yielded enough water and was viable but the one at Kisii County did not yield enough water and was therefore not viable. However, the Management did not provide title deeds for the land on which the two boreholes were drilled.

Consequently, it has not been possible to determine whether the public derived value for money on the amounts spent on the two projects.

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, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

### **1. Failure to Sign Board Minutes**

During the year under review, it was observed that the Chairman and Secretary to the Board had not signed seven (7) Board minutes. As a result, the deliberations and resolutions passed during such meeting could not be acted upon and could be challenged.

Consequently, the effectiveness of the Board decisions and operation of the Agency during that period could not be confirmed.

### **2. Lack of Legal Officer**

During the year under review, it was noted that the Agency had no legal officer to assist in handling legal processes affecting the Agency, which was occasioning delay on litigation matters. Further, the cost of legal services increased from Kshs.6,418,394 in the previous year to Kshs.8,354,596 during the year under review.

Consequently, the effectiveness and the economy in the use of public resources could not be guaranteed.

### **3. Failure to Maintain Motor Vehicle Files**

A review of the fleet management operations revealed that the Agency did not maintain motor vehicle files for ten (10) vehicles. However, details of the vehicles' maintenance and work tickets were not provided for audit review, to determine the running and operational costs of the motor vehicles for tracking.

In the circumstances, the existence of an effective asset management mechanism could not be ascertained

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 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 Board of Directors**

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

In preparing the financial statements, Management is responsible for assessing the 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 to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements 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 financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 continue 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 control that are identified during the audit.

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

  
Nancy Gathungu  
AUDITOR-GENERAL

Nairobi

19 October, 2021

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	NOTE	2019 Kshs	2018 Kshs
<b>Revenue from Non-Exchange Transactions</b>			
Exchequer grants	6	204,201,001	230,099,755
Deferred income transfer	7	91,129,688	75,473,737
<b>Total revenue from Non-Exchange Transactions</b>		<b>295,330,689</b>	<b>305,573,492</b>
<b>Revenue from Exchange Transactions</b>			
Other Incomes	8	3,511,988	6,319,736
WSPs Revenue	9	68,194,417	46,640,846
<b>Total revenue from exchange transactions</b>		<b>71,706,405</b>	<b>52,960,583</b>
<b>Total Revenue</b>		<b>367,037,094</b>	<b>358,534,075</b>
<b>Operations and Maintenance Expenses</b>			
Supplies and Services	10	4,091,541	14,745,176
Administrative and Establishment Expenses	11	22,377,024	28,226,593
Transport Costs	13	28,481,639	35,924,829
Water Supplies Development	12	8,871,436	4,597,506
Employee Costs	14	91,879,450	51,711,347
Remuneration of Directors	15	111,479,306	108,455,502
Finance Charges	16	23,239,448	23,278,416
Provision for Depreciation , Amortization and Bad Debts	17	361,939	248,317
<b>Total Expenses</b>	18	<b>380,933,643</b>	<b>365,640,539</b>
<b>Surplus/(Deficit) for the year</b>		<b>(13,896,549)</b>	<b>(7,106,464)</b>

The notes set out on pages 6 to 45 form an integral part of these Financial Statements


**Lake Victoria South Water Works Development Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2019**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2019**

ASSETS	NOTE	2019 Kshs	2018 Kshs
<b>Current Assets</b>			
Inventories	21	5,214,695	5,026,377
Cash and Cash Equivalents	22	191,274,751	176,402,974
Receivables from Exchange Transactions	23	229,895,467	201,699,655
		<u>426,384,913</u>	<u>383,129,006</u>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	19	13,409,028,779	12,163,627,057
		<u>13,409,028,779</u>	<u>12,163,627,057</u>
<b>Total Assets</b>		<u>13,835,413,692</u>	<u>12,546,756,062</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables from Exchange Transactions	24	397,074,243	357,098,246
<b>Non-Current Liabilities</b>			
Long-Term Loans	25	6,658,733,734	5,742,206,626
<b>Total Liabilities</b>		<u>7,055,807,977</u>	<u>6,099,304,872</u>
<b>Net Assets</b>		<u>6,779,605,715</u>	<u>6,447,451,190</u>
<b>RESERVES</b>			
Government Grants	26	3,900,006,401	3,617,367,402
Donor Grants	27	2,089,134,191	1,969,420,500
Deferred Income	28	888,166,099	944,428,747
Revenue Reserve	29	(97,700,975)	(83,765,458)
		<u>6,779,605,715</u>	<u>6,447,451,190</u>

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

  
Ag. Chief Executive Officer  
Eng. George Odedeh

  
Head of Finance  
John Francis Adongo  
ICPAK No. : 11066

  
Chairman of the Board  
Erick Okeyo MBS, MKIM

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Government Grants Kshs	Donor Grants Kshs	Deferred Income Kshs	Revenue Reserve Kshs	Total Kshs
Balance as at 30 JUNE 2016		3,238,495,606	1,475,437,518	930,640,524	(111,051,224)	5,533,522,419
Revenue Reserves	29		-	-	34,392,230	34,392,230
Transfer to Income	28		-	(92,300,431)	-	(92,300,431)
Government Grant	26	192,792,508	-	164,349,221	-	357,141,733
Donor Grant	27	-	297,805,322	-	-	297,805,322
Balance as at 30 JUNE 2017		3,431,288,114	1,773,242,840	1,002,689,314	(76,658,994)	6,130,561,274
Balance as at 1st July 2017		3,431,288,114	1,773,242,840	1,002,689,314	(76,658,994)	6,130,561,273
Revenue Reserves	29		-	-	(7,106,464)	(7,106,464)
Transfer to Income	28		-	(78,260,568)	-	(78,260,568)
Government Grant	26	186,079,288	-	20,000,000	-	206,079,288
Donor Grant	27	-	196,177,660	-	-	196,177,660
Balance as at 30 JUNE 2018		3,617,367,402	1,969,420,500	944,428,747	(83,765,458)	6,447,451,190
Balance as at 1st July 2018		3,617,367,402	1,969,420,500	944,428,747	(83,765,458)	6,447,451,190
Revenue Reserves	29				(13,896,549)	(13,896,549)
Transfer to Income	28			(103,962,647)		(103,962,647)
Government Grant	26	282,638,999		47,700,000		330,338,999
Donor Grant	27		119,713,691			119,713,691
Balance as at 30 JUNE 2019		3,900,006,400	2,089,134,191	888,166,099	(97,700,975)	6,779,605,715

Lake Victoria South Water Works Development Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2019

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

	Notes	2019 Kshs	2018 Kshs
Receipts	6	204,201,001	230,099,755
Exchequer grants	7	91,129,687	75,473,737
Deferred income transfer	8	3,511,988	6,319,736
Other Incomes	9	68,194,417	46,640,846
WSPs Revenue		<u>367,037,093</u>	<u>358,534,075</u>
<b>Total revenue</b>			
Payments	15	111,479,306	108,455,502
Compensation of employees	13-10	87,100,057	106,482,165
Goods and services	17	361,939	248,317
Finance cost	14	91,879,450	51,711,347
Other payments		<u>290,820,752</u>	<u>267,187,687</u>
<b>Total Payments</b>		<u>76,216,341</u>	<u>91,346,388</u>
<b>Net cash flows from operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchase of property, plant & Equipment	19	(1,326,154,979)	(1,340,888,753)
Increase/(Decrease) in current Payables from exchange transactions	24	(39,975,997)	(28,484,429)
(Increase)/Decrease in Non-current receivables from exchange transactions	23	(32,389,132)	(20,580,046)
<b>Net cash flows used in investing activities</b>		<u>(1,398,520,108)</u>	<u>(1,389,622,843)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	25	916,527,108	899,124,360
Proceeds from Donor Grants	27	119,713,691	196,177,660
Proceeds from Government Grants	26	282,638,999	186,079,288
(Decrease)/Increase in deferred income	28	18,295,745	(58,260,568)
<b>Net cash flows used in financing activities</b>		<u>1,337,175,543</u>	<u>1,223,120,741</u>
<b>Net (decrease) /increase in cash and cash equivalents</b>		14,871,777	(75,195,714)
Cash and cash equivalents at 1 <sup>ST</sup> JULY 2019		<u>176,402,974</u>	<u>251,598,688</u>
Cash and cash equivalents at 30 <sup>TH</sup> JUNE 2018	22	<u>191,274,751</u>	<u>176,402,974</u>

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
 FOR THE YEAR ENDED 30 JUNE 2019

	Original budget 2018/2019 Kshs	Adjustments 2018/2019 Kshs	Final budget 2018/2019 Kshs	Actual on comparable 2018/2019 Kshs	Performance difference 2018/2019 Kshs
<b>Income</b>					
GoK Recurrent Grants to Board Hq	72,000,000	1,440,000	70,560,000	69,840,000	(720,000)
Interest Received	2,000,000	-	2,000,000	2,003,318	3,318
Tender sales	-	-	-	114,000	114,000
Laboratory Charges	700,000	-	700,000	988,673	288,673
WSB Levies	42,300,000	-	42,300,000	68,194,417	25,894,417
Ministrial Grants	-	-	100,000,000	100,000,000	-
Transfers	-	(100,800,000)	100,800,000	100,800,000	-
<b>Total income</b>	<b>117,000,000</b>	<b>1,440,000</b>	<b>316,360,000</b>	<b>341,940,408</b>	<b>25,580,408</b>
<b>Expenses</b>					
Operations and Maintenance Expenses	13,000,000	-	13,000,000	4,091,541	(8,908,459)
Supplies and Services	23,278,000	-	23,278,000	22,377,024	(900,976)
Administrative and Establishment	24,771,000	-	24,771,000	28,481,639	3,710,639
Remuneration of Directors	19,810,000	-	19,810,000	23,239,448	3,429,448
Transport Costs	2,573,000	-	2,573,000	8,871,436	6,298,436
Water Supplies Development & Capital Projects	0	-	100,000,000	91,879,450	(8,120,550)
Employee Costs	126,893,000	-	126,893,000	111,479,306	(15,413,694)
Finance Costs	167,000	-	167,000	361,939	194,939
<b>Total Expenditure</b>	<b>210,492,000</b>	<b>-</b>	<b>310,492,000</b>	<b>290,781,783</b>	<b>(23,139,665)</b>

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

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

**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 judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed.

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

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

**3. ADOPTION OF NEW AND REVISED STANDARDS**

**i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019**

Standard	Impact
IPSAS 40: Public Sector Combinations	<p><b>Applicable: 1<sup>st</sup> January 2019</b></p> <p>The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.</p> <p>The Combination of Project financial Statements with the main Board financial statements. Is purely amalgamation of Agency's transactions.</p>

Lake Victoria South Water Works Development Agency  
 Annual Reports and Financial Statements  
 For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2022:</b>            The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Agency's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Agency's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p>IPSAS 42: Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b>            The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Agency provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Agency ;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Agency's financial performance, financial position and cash flows.</li> </ol>

- iii. Early adoption of standards

The Agency did early – adopt any new or amended standards in year 2019.

#### **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a) Revenue recognition**

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

###### **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 realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

##### **ii) Revenue from exchange transactions**

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

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

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

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

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

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

Interest income is accrued using the effective yield method. The effective yield

**Lake Victoria South Water Works Development Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2019**

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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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b) Budget information**

The original budget for FY 2018-2019 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Agency upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Agency recorded no additional appropriations on the 2018-2019 budget following the governing body's approval.

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

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

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

**c) Taxes**

**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Agency operates and generates taxable income.

Lake Victoria South Water Works Development Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2019

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

**Lake Victoria South Water Works Development Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2019**

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Agency and the same taxation authority.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c) Taxes (Continued)**

**Withholding tax**

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

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

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

**d) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

**e) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

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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.

**f) Leases**

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

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

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

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

**g) Intangible assets**

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

The useful life of the intangible assets is assessed as either finite or indefinite.

**h) Research and development costs**

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

**Lake Victoria South Water Works Development Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2019**

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- 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**h) Research and development costs (Continued)**

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

**i) Financial instruments**

**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.

**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.

**Lake Victoria South Water Works Development Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2019**

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**Impairment of financial assets**

The Agency assesses at each reporting date whether there is objective evidence that a financial asset or an Agency of financial assets is impaired. A financial asset 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 Agency of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

h) Research and development costs (Continued)

i) Financial instruments (Continued)

**Financial assets (Continued)**

**Impairment of financial assets (Continued)**

- The 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)

**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 is measured through purchase transactions (for no cost or for a nominal cost)

**Lake Victoria South Water Works Development Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2019**

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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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Inventories (Continued)**

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

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Agency.

**j) 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**

**Lake Victoria South Water Works Development Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2019**

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The Agency does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Agency in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**k) Nature and purpose of reserves**

The Agency creates and maintains reserves in terms of specific requirements.

**l) Changes in accounting policies and estimates**

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

**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 Agency (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**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

**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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**p) Related parties**

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

**q) Service concession arrangements**

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

**r) 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.

**s) 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) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the Agency's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty 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.

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

**6 GOVERNMENT GRANTS**

	2019	2018
Details	Kshs	Kshs
Development 1st Quarter	93,750,000	105,861,079
Development 2nd Quarter	93,750,000	120,000,000
Development 3rd Quarter	135,750,000	72,377,500
Development 4th Quarter	93,750,000	26,000,000
	<u>417,000,000</u>	<u>324,238,579</u>
Transfer to Capital grants	282,638,999	176,138,824
	<u>134,361,001</u>	<u>148,099,755</u>
Recurrent Funds Received-1 <sup>st</sup> Half Year	35,640,000	27,499,998
Recurrent Funds Received-2 <sup>nd</sup> Half Year	34,200,000	54,500,002
	<u>69,840,000</u>	<u>82,000,000</u>
<b>Totals Government grants</b>	<u><u>204,201,001</u></u>	<u><u>230,099,755</u></u>

**7 DEFERRED INCOME TRANSFER**

Constituency/Priority Projects	51,658,554	42,583,698
KRA Remittances	-	32,256,829
Water Projects Pans & Dams	39,471,134	633,210
<b>TOTAL</b>	<u><u>91,129,688</u></u>	<u><u>75,473,737</u></u>

**8 OTHER INCOMES**

Interest Received	2,003,318	5,727,231
Tender sales	114,000	6,000
Asset Sales	0	76,300
Laboratory Charges	1,394,670	755,252
<b>TOTAL</b>	<u><u>3,511,988</u></u>	<u><u>6,564,783</u></u>

**9 WATER LEVIES**

Kiwasco	21,121,116	26,065,873
Kewasco	26,497,939	6,780,997
Guwasco	5,925,958	2,501,937
Sibo	4,769,340	3,262,629
Tiliwasco	599,049	483,637
Mikutra	1,159,767	730,835
Homa Bay County	4,333,752	3,985,422
Bomwasco	3,787,495	2,829,516
<b>TOTAL</b>	<u><u>68,194,417</u></u>	<u><u>46,640,846</u></u>

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 OPERATION AND MAINTENANCE EXPENSES

	2019	2018
	Kshs	Kshs
Project Monitoring & Evaluation	3,410,821	13,356,878
Environmental Impact Assessment	545,300	185,000
Resource Mobilization	-	263,800
Project Tender Advertisements and publicity	135,420.00	939,498
<b>Total</b>	<b>4,091,541</b>	<b>14,745,176</b>

11 SUPPLIES AND SERVICES

Project Planning & Feasibility Studies	2,450,800.00	7,745,731
Cleaning Services	1,623,534.00	1,229,539
Legal Services	8,354,596.00	6,418,394
Security Services	2,370,351.55	2,283,292
Agency's Publicity & Advertisement	4,963,962.00	3,737,826
Stationery	2,068,280.85	3,539,409
Telephone & Internet	545,500.00	590,700
Tender Committee Expenses	0	69,600
Computer Equipment, networking, software & maintenance	0	2,517,413
Water and waste water quality surveillance	0	94,690
<b>Total</b>	<b>22,377,024</b>	<b>28,226,593</b>

12 TRANSPORT COSTS

Motor Vehicle Fuel	4,404,370	3,121,049
Motor Vehicle maintenance	4,467,066	1,476,456
<b>Total</b>	<b>8,871,436</b>	<b>4,597,506</b>

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**13 ADMINISTRATIVE AND ESTABLISHMENT COST**

	Kshs	Kshs
Maintenance of Buildings & Office Compound	510,754	1,356,226
ISO Certification Expenses	-	-
Corporate Social Responsibility	721,428	162,800
Electricity	493,593	709,054
Periodicals, Newspaper, Library	156,000	281,080
Office Hospitality and Entertainment	2,811,947	2,777,429
Postage & Delivery Services	540,910	1,191,856
Audit Fees	1,427,400	1,211,040
Conferences and Shows	307,422	2,068,593
Training & Workshops	5,157,981	5,368,300
Travel & Accommodation & Subsistence	15,254,602	10,140,092
Maintenance of office Equipment & computers	750,897	1,432,027
Valuation stock taking Audits & performance Audits of WSPs	0	6,075
KRA Remittance Withholding tax	348,706	9,220,257
<b>Total</b>	<b>28,481,639</b>	<b>35,924,829</b>

**14 WATER SUPPLIES DEVELOPMENT EXPENDITURE**

Drilling & Equipping of B/holes	830,902	399,460
LVWATSAN II Activities	0	8,094,979
Constituency water projects/Priority Project	51,601,913	42,583,698
Water Projects Pans & Dams	39,446,634	633,210
<b>Total</b>	<b>91,879,450</b>	<b>51,711,347</b>

**15 EMPLOYEE COST**

Basic Salary	62,245,004	60,803,809
House Allowance	16,678,323	16,541,000
Commuter Allowance	4,746,875	4,837,967
Telephone Allowance	1,056,533	1,175,000
Other Allowance and Leave Allowance	2,870,399	2,277,430
Pension and staff Gratuity	10,359,195	10,981,096
Medical Insurance	11,999,961	11,807,000
NITA	32,600	32,200
Staff welfare	1,490,416	0
	<b>111,479,306</b>	<b>108,455,502</b>

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**16 REMUNERATION OF DIRECTORS**

	2019	2018
	Kshs	Kshs
Chairman's Honoraria	415,000	700,334
Directors emoluments	22,824,448	22,578,082
<b>Total</b>	<b><u>23,239,448</u></b>	<b><u>23,278,416</u></b>

**17 BANK CHARGES**

Bank Charges	361,939	241,817
Commission	-	6,500
	<b><u>361,939</u></b>	<b><u>248,317</u></b>

**18 DEPRECIATION AND PROVISION**

charge for the year-

Computer Software	4,422,508	4,422,508
Buildings HO	3,481,470	3,481,740
Furniture & Fittings	1,163,389	1,163,389
Motor Vehicles	-	4,572,250
Water Supply Infrastructure	71,685,889	71,685,889
Specific provision for Bad Debts Written Off	9,398,604	7,819,446
General Provision for Bad Debts Written Off	-	5,307,629
	<b><u>90,151,861</u></b>	<b><u>98,452,851</u></b>

Victoria South Water Works Development Agency  
 Annual Reports and Financial Statements  
 for the year ended June 30, 2019

PROPERTY PLAN AND EQUIPMENT

	FREHOLD LAND	BUILDING	M/VEH & CYCLES	WATER SUPPLY INFR	PLANT MACHINERY	FURNITURE	OFFICE EQUIP	COMPUTERS	COMPUTER	WORK IN PROGRESS	TOTAL
	Shs		Shs	Shs	Shs	Shs	Shs	Shs	Shs		
		2.5%	25%	2.5%	20%	12.5%	20%	33.3%	20%	0.0%	
31st Dec 2017	157,007,227	139,258,800	126,370,080	2,867,435,571	19,333,097	9,307,113	2,451,597	8,979,692	22,112,540	8,529,815,287	11,882,071,004
Increases	-	-	-	-	-	-	-	-	-	-	-
Decreases	-	-	-	-	-	-	-	-	-	-	-
Reversals/adjustments	-	-	-	-	-	-	-	-	-	-	-
31st June 2018	157,007,227	139,258,800	126,370,080	2,867,435,571	19,333,097	9,307,113	2,451,597	8,979,692	22,112,540	9,870,704,010	13,222,959,727
Increases	-	-	-	-	-	-	-	-	-	-	-
Decreases	-	-	-	-	-	-	-	-	-	-	-
Reversals/adjustments	-	-	-	-	-	-	-	-	-	-	-
31st June 2019	157,007,227	139,258,800	126,370,080	2,867,435,571	19,333,097	9,307,113	2,451,597	8,979,692	22,112,540	11,196,858,989	14,549,114,706
Depreciation and impairment	-	-	-	-	-	-	-	-	-	-	-
31st Dec 2017	-	15,074,446	121,797,560	788,544,781	19,333,097	5,076,053	2,451,597	8,979,692	12,749,667	-	974,006,894
Depreciation	-	3,481,470	4,572,520	71,685,889	-	1,163,389	-	-	4,422,508	-	85,325,776
Impairment	-	-	-	-	-	-	-	-	-	-	-
31st June 2018	-	18,555,916	126,370,080	860,230,671	19,333,097	6,239,442	2,451,597	8,979,692	17,172,175	-	1,059,332,670
Depreciation	-	3,481,470	-	71,685,889	-	1,163,389	-	-	4,422,508	-	80,753,256
Reversals	-	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-	-	-
31st June 2019	-	22,037,386	126,370,080	931,916,560	19,333,097	7,402,831	2,451,597	8,979,692	21,594,683	-	1,140,085,927
Book values	-	-	-	-	-	-	-	-	517,857	11,196,858,989	13,409,028,779
31st June 2019	157,007,227	117,221,414	-	1,935,519,011	-	1,904,282	-	-	4,940,365	9,870,704,010	12,163,627,057
30th June 2018	157,007,227	120,702,884	-	2,007,204,900	-	3,067,671	-	-	-	-	-

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

**20 ADDITIONAL ASSETS**

	Kshs	Kshs
Water Supply infrastructure- wip		
Works- Lvwatsan II	149,950,186	155,426,234
Pending Bill-Lvwatsan II	263,919,913	62,669,708
Works-WSDP	703,432,231	
Services-WSDP & Pbill	26,822,444	921,143,857
WSDP-Pending Bill	88,886,186	74,656,168
Kisumu LTAP-Pending bill	-	63,587,296
Trilateral	-	22,677,795
Kisumu LVWATSAN & P Bill	42,658,269	27,100,441
Bunyonyu Dam Water Project	50,485,750	13,627,254
<b>Total WIP</b>	<b>1,326,154,979</b>	<b>1,340,890,771</b>
<b>Total Additions</b>	<b>1,326,154,979</b>	<b>1,340,890,771</b>

**21 INVENTORY & STORES**

Building Materials	424,508	
Computer Consumables	704,565	626,860
Electricals	349,800	320,000
Meters	2,122,580	0
Other Items	725,450	433,000
Pipes and Fitting	860,077	3,264,086
Stationery		382,431
Water/Hand Pumps	27,715	0
<b>TOTAL</b>	<b>5,214,695</b>	<b>5,026,377</b>

**22 CASH AND CASH EQUIVALENTS**

CO-OP Revenue 01141295755601	8,855,473	8,958,411
CO-OP LVWATSAN2 01141295755600	18,164	5,391,894
K.C.B - SIDA Danida 1104035197	2,678	3,398
K.C.B - KIDDIF Italy 1146676387	5,299,288	20,826,065
K.C.B - UNICEF Funds 1116821648	165,760	167,545
K.C.B - Pans & Dams1104036320	39,413	40,463
K.C.B. - Recurrent 1104034395	-	284,812
K.C.B - Development A/c 1104035464	128,804,250	64,509,211
K.C.B - KCB SHORT TERM DEPOSITS	24,119,978	69,082,376
K.C.B. - Recurrent 1211147177	8,998,105	3,999,890
K.C.B. - Recurrent 1211147312	14,046,437	3,138,910
KCB- Kiwasco- General Loan 1 1211147290	647,577	

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

KCB- Kiwasco- Loan 2 1211147267	271,108	
KCB- Migori Special Loan 1211147274	3,260	
KCB SIBO Special Loan 1 121114282	3,260	
Cash In Hand	0	0
<b>TOTAL</b>	<b>191,274,751</b>	<b>176,402,974</b>

**23 RECEIVABLE FROM EXCHANGE TRANSACTION**

	Kshs	Kshs
KISUMU WATER AND SEWERAGE Co. Ltd	40,600,538	43,918,307
KERICHO WATER AND SANITATION Co. Ltd	72,605,755	52,953,066
GUSII WATER AND SANITATION CO. LTD	25,355,600	20,855,126
SIBO WATER AND SANITATION CO. LTD	35,833,930	32,030,247
TILILBEI WATER AND SANITATION CO. LTD	24,031,036	23,627,897
MIKUTRA WATER AND SANITATION CO.	7,579,656	6,602,597
HOMA BAY WATER AND SANITATION CO.	24,511,441	21,174,045
BOMET WATER COMPANY	8,776,115	5,845,999
NYANAS WATER AND SANITATION CO.	-	4,632,698
GULF WATER SERVICES CO. LTD	-	3,186,748
	<u>239,294,071</u>	<u>214,826,730</u>
Provision for bad and doubtful debts	9,398,604	13,127,075
<b>Net Receivables from Exchange Transactions</b>	<b>229,895,467</b>	<b>201,699,655</b>

**24 PAYABLES FROM EXCHANGE TRANSACTIONS**

Creditors	16,984,280	15,389,499
Accrued staff gratuity	8,855,473	8,292,030
Pans and Dams	27,550,460	28,584,543
WSP Loans payable	925,205	
OD/K.C.B. - Recurrent 1104034395	2,422,912	
<b>Total</b>	<b>56,738,330</b>	<b>52,266,072</b>
<b>Counterpart funding</b>		
KISUMU LTAP PROJECT	53,158,268	69,522,438
LVWATSAN II	75,031,682	67,902,437
SMALL TOWNS	13,256,760	37,130,198
WSBSP	90,629,725	101,976,629
WSDP	103,679,478	28,300,472
Bonyunyu-Orio	4,580,000	-

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

<b>TOTAL</b>	<b>340,335,913</b>	<b>304,832,174</b>
Total Payables	<b>397,074,243</b>	<b>357,098,246</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**25 LONG TERM LOANS**

Bal. b/f	5,742,206,626	-
WSBSP-AfDB	0	1,372,224,454
STRWSSP-AfDB	0	1,969,968,275
KISUMU LTAP-AFD	0	1,836,926,925
WSD-KFW	916,527,108	563,086,972
<b>Total</b>	<b>6,658,733,734</b>	<b>5,742,206,626</b>

**26 GOVERNMENT GRANTS**

	2019 Kshs	2018 Kshs
Government grant as at 1st July	3,617,367,402	3,431,288,114
Rangwe project	7,069,842	2,786,831
Small Towns project	37,728,145	16,518,503
KFW	74,581,453	34,964,102
West Karachuonyo	12,832,960	-
Kisumu Ltap	22,500,000	48,883,109
Bunyonyu Dam	28,992,438	13,627,254
Lvwatsan II project	76,481,284	34,359,025
WSBSP Project- SCC	11,346,904	25,000,000
Retention Current	11,105,972	9,940,465
<b>Total for the period</b>	<b>282,638,999</b>	<b>186,079,288</b>
<b>Bal. C/f</b>	<b>3,900,006,401</b>	<b>3,617,367,402</b>

**27 DONOR GRANTS**

Balance brought f.	1,969,420,500	1,773,242,840
LVWATSAN II	2,669,965	98,094,197
KIDDP	-	20,623,169
KISUMU LVWATSAN	95,550,414	31,809,487
Trilateral	-	22,677,795
Orio -Netherlands Government	21,493,312	22,973,012
<b>Total for the period</b>	<b>119,713,691</b>	<b>196,177,660</b>
<b>Bal. C/f</b>	<b>2,089,134,191</b>	<b>1,969,420,500</b>

Lake Victoria South Water Works Development Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 DEFERRED INCOME TRANSFER		
As at 1 July 2017	944,428,747	1,002,689,314
Ministerial Grant	47,700,000	20,000,000
Total	47,700,000	20,000,000
Less : Transfer to Capital grants, Donor grants		2,786,831
-Rangwe Water Project	0	0
-West Karachuonyo	12,832,960	2,786,831
Less : Transfer to income Constituency & Priority Projects	51,658,554	42,583,698
KRA Remittances	0	32,256,829
Water Projects Pans & Dams	39,471,134	633,210
	103,962,647	78,260,568
As at 30 June 2017	888,166,099	944,428,747

29 REVENUE RESERVE		
Balance as at 30 JUNE 2017	(76,658,994)	(111,051,224)
Surplus/(deficit) for the period	(7,106,464)	34,392,230
Balance as at 30 JUNE 2018	(83,765,458)	(76,658,994)
Surplus/(deficit) for the period	(13,896,549)	(7,106,464)
Balance as at 30 JUNE 2019	(97,700,975)	(83,765,458)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 30 FINANCIAL RISK MANAGEMENT

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

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

#### (i) Credit risk

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

Management assesses the credit quality of 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 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

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

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**30 FINANCIAL RISK MANAGEMENT (Continued)**

**(i) Liquidity risk management (Continued)**

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2019</b>				
Trade payables			15,429,058	15,429,058
Current portion of borrowings			729,161,880	729,161,880
Provisions			5,205,285	5,205,285
Deferred income			47,700,000	47,700,000
Employee benefit obligation			10,292,242	10,292,242
<b>Total</b>			<b>807,788,465</b>	<b>807,788,465</b>
<b>At 30 June 2018</b>				
Trade payables			84,022,872	84,022,872
Current portion of borrowings			899,124,360	899,124,360
Provisions			13,127,075	13,127,075
Deferred income			20,000,000	20,000,000
Employee benefit obligation			8,292,030	8,292,030
<b>Total</b>			<b>1,024,566,337</b>	<b>1,024,566,337</b>

**(iii) Market risk**

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Agency's income or the value of its holding of financial instruments. The objective of market risk

**Lake Victoria South Water Works Development Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2019**

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management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Agency's Finance Department is responsible for the development of detailed risk management policies (subject to 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 goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

(ii)

Market risk (Continued)

a)

Foreign currency risk (Continued)

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

The Agency manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the Agency's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant

b) Interest rate risk

**Lake Victoria South Water Works Development Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2019**

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

Management of interest rate risk

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

**Fair value of financial assets and liabilities**

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Agency's market assumptions. These two types of inputs have created the following fair value hierarchy:

iv) **Capital Risk Management**

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

	2019	2018
	Kshs	Kshs
Government Grants	3,900,006,401	3,617,367,402
Donor Grants	2,089,134,191	1,946,447,488
Deferred Income	888,166,099	965,051,916
Revenue Reserve	-97,700,975	-88,846,610
<b>Total funds</b>	<b>6,779,605,715</b>	<b>6,440,020,196</b>
<b>Total borrowings</b>	<b>6,658,733,734</b>	<b>5,742,206,626</b>
Less: cash and bank balances	191,274,751	179,557,176
Net debt/(excess cash and cash equivalents)	6,467,458,984	5,562,649,450
<b>Gearing</b>	<b>95%</b>	<b>86%</b>

**Lake Victoria South Water Works Development Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2019**

**31 RELATED PARTY BALANCES**

**Nature of related party relationships**

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

**Government of Kenya**

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

- i) The National Government;
- ii) The Parent Ministry
- iii) Key management;
- iv) Board of directors;

	2019 Kshs	2018 Kshs
<b>Transactions with related parties</b>		
<b>a) Grants from the Government</b>		
Grants from National Govt	534,540,000	406,238,579
Donations in kind	-	-
<b>Total</b>	<b>534,540,000</b>	<b>406,238,579</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments for goods and services for Contracted services	3,993,886	3,512,831
<b>Total</b>	<b>3,993,886</b>	<b>3,512,831</b>
<b>d) Key management compensation</b>		
Directors' emoluments	23,278,416	23,278,416
Compensation to the CEO	6,918,998	6,572,947
Compensation to key management	17,639,972	15,419,274
<b>Total</b>	<b>47,837,386</b>	<b>45,270,637</b>

**Lake Victoria South Water Works Development Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2019**

**32 EVENTS AFTER THE REPORTING PERIOD**

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

**33 ULTIMATE AND HOLDING AGENCY**

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

**34 Currency**

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

**APPENDIX II: PROJECTS IMPLEMENTED BY THE AGENCY**

Projects implemented by Lake Victoria South Water Works Development Agency Funded by development partners

Status of Project Completion							
	Project title	Total Project Cost	Total Expend ed to date	Completion % to date	Budget	Actual	Sources of funds
1	Small Towns rural water supply and Sanitation Project	2.4B	2.3B	99%	2.4B	2.4B	AfDB & Gok
2	Keroka Kericho Water Supply and Sanitation Project	1.5B	1.2B	99%	1.5B	1.5B	AfDB & Gok
3	Rehabilitation of Kericho Sewerage Project						AfDB & Gok
4	Design and Supervision of works for LVWATSAN II Projects						AfDB & Gok
5	Water Sector Development Programme.	4.2B	1.5B	80%	4.2B	4.2B	KFW and Gok
6	Kisii Water Supply and Sanitation Project (Bunyunu Dam)	66.1M	61.65M	20%	66.2M	66.2M	ORIO and Gok
7	Trilateral Development Cooperation in Kenya ,Water and Sanitation Sector	76.6M	58.1M	20%	86.1M	86.1M	KFW & Gok

**Lake Victoria South Water Works Development Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2019**

**Projects implemented by the State Corporation/ SAGA Funded by development partners**

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements  (Yes/No)
Small Towns rural water supply and sanitation Project	2100150021543	AfDB	2011-2017	2.2B	Yes	Yes
Meroka Kericho Water Supply and Sanitation Project	2100150019667	AfDB	2011-2018	1.32b	Yes	Yes
Rehabilitation of Kericho Sewerage Project	2100150019667	AfDB			Yes	Yes
Design and Supervision of Works for LVWATSAN II Projects	2100150019667	AfDB			Yes	Yes
Water Sector Development Programme	BMZ 2010 65 861	KFW		3.842B	Yes	Yes
Meru Water Supply and Sanitation Project (Nyunyu Dam)	ORIO11/KE/21	ORIO	2016-2022	33.08M	Yes	Yes
Water Sector Development Programme Cooperation in Kenya Water and Sanitation Sector	BMZ 2013 65 352	KFW	2015-2020	76.6M	Yes	Yes

**Lake Victoria South Water Works Development Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2019**

APPENDIX III: INTER-AGENCY TRANSFERS

AGENCY NAME:		LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY		
Break down of Transfers from the State Department of Water and Sanitation				
FY 2018/2019				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
		5/9/2018	6,000,000	2018/2019
		2/10/2018	6,000,000	2018/2019
		3/10/2018	6,000,000	2018/2019
		2/11/2018	5,880,000	2018/2019
		3/12/2018	5,880,000	2018/2019
		24/01/2019	5,880,000	2018/2019
		12/02/2019	5,880,000	2018/2019
		5/03/2019	4,680,000	2018/2019
		4/04/2019	5,640,000	2018/2019
		17/05/2019	6,000,000	2018/2019
		4/06/2019	6,000,000	2018/2019
		27/06/2019	6,000,000	2018/2019
		<b>Total</b>	<b>69,840,000</b>	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
		18/10/2018	93,750,000	2018/2019
		28/12/2018	93,750,000	2018/2019
		14/01/2019	29,350,000	2018/2019
		25/06/2019	42,000,000	2018/2019
		27/06/2019	93,750,000	2018/2019
		4/07/2019	93,750,000	2018/2019
		8/07/2019	18,350,000	2018/2019
		<b>Total</b>	<b>464,700,000</b>	
		<b>Grand Total</b>	<b>534,540,000</b>	

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

Finance Manager  
Lake Victoria South Water Works Devt. Agency

Sign 

Head of Accounting Unit  
Ministry of Water and Sanitation

Sign-----

**Lake Victoria South Water Works Development Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2019**

**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Date received	Nature: Recurrent/ Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
30.06.2019	Direct Payment	729,161,880	-	729,161,880	0	0	0	729,161,880
30.06.2019	Direct Payment	31,169,776	-	95,550,414	0	0	0	95,550,414
30.06.2019	Direct Payment	21,493,312	-	21,493,312	0	0	0	21,493,312
30.06.2019	Direct Payment	149,950,186		149,950,186	0	0	0	149,950,186
								0
		931,775,154	0	996,155,792	0	0	0	996,155,792

Lake Victoria South Water Works Development Agency  
 Annual Reports and Financial Statements  
 For the year ended June 30, 2019

APPENDIX V

DISCLOSURE OF CONTINGENT LIABILITIES

**LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY**

**LEGAL CASES STATUS REPORT**

PARTIES	MATTER IN BRIEF	CLAIM	LEGAL FEE	REMARKS /WAY FORWARD
Kundan Singh & LVSWB	Dispute arising out of contract variation in the Kisumu Short Term Project. Claim Kshs. 358,863,133.44 excluding interest. Arbitration collapsed on the face of the law and the advocate on record requested for full and final fees of Kshs 99 million. The Agency had made part payments amounting to Kshs.12,300,000/=. The	Kshs.358,863,133.44 including interest	LVSWWDA is represented by Sala and Mudany. The firm has submitted an interim invoice of Kshs 6,960 million as at May	To request the advocate on record for the Agency; 1. To provide the basis for taxation at Kshs. 23,188,191.28 2. Negotiated with Staussi and

## Annual Reports and Financial Statements

For the year ended June 30, 2019

	PARTIES	MATTER IN BRIEF	CLAIM	LEGAL FEE	REMARKS /WAY FORWARD
		claim was further reduced to Kshs 45 million. Case came up for on 5 <sup>th</sup> November 2019 to convert the ruling on the taxation into judgement and decree. The application was allowed.		2019.	Asunah to review their taxed amount of Kshs.26,434,537.88 downwards.  I. Agreed to waive the interest.  II. Accepted an amount of Kshs. 21,000,000/=
2.	CHEMOSIT v LVSWSB & KCB  81 of 2011	Chemosit sought to restrain LVSWSB from any further interference including an intention to terminate existing SPA with her as well as compel the Bank to allow her access her accounts, which LVSWSB had advised the Bank to freeze.  The matter is awaiting delivery of judgment but the current position is that the Service Provision Agreement between LVSWSB and Chemosit Water and sanitation Company lapsed. With the establishment of Bomet Water Company and Tililbei Water and Sanitation Company and the operations of Chemosit Water and sanitation Company ceased as these were overtaken by both Water Service Providers defined by two new service areas arising from the formation of the two water services providers.	Matter has been overtaken by events.  Lawyers on record have been asked to fast track the matter and clear issues surrounding the frozen Tililbei Water and Sanitation account held at KCB estimated to be 4.5Million	Final fee note of Kshs.1,935,390 from Staussi & Asunah Advocates advised vide letter dated 28/1/2014	The file contains two conflicting positions on the status of the case;  1. Letter dated 1/4/2014 states that the matter was marked as settled by consent of parties.  2. Letter of 13 <sup>th</sup> April 2018 states that the suit was dismissed for want of prosecution on 18/7/2019.  To peruse the court file and establish the actual status. If indeed the suit has been determined;  I. To negotiate on fees based on Advocates Remuneration Order, 2014, if the final fee note of 28/1/2014 has not

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

PARTIES	MATTER IN BRIEF	CLAIM	LEGAL FEE	REMARKS /WAY FORWARD
				<p>been paid.</p> <p>II. To close the file.</p>
<p>Kisumu CMCC 491 of 2013</p> <p>PENINA INVESTMENT S V LVSWSB</p>	<p>This matter arose out of alleged contract breach under GOK/UNICEF/WASH program in 2010 involving digging up of shallow wells in Kayoko Community, Wagai Division, Gem District under the supervision of the then District Officer.</p> <p>The then District Water Officer, Mr. Oduor Adalla is the main witness in the case.</p> <p>The former DWO has since retired and Board is expected to reimburse his transport cost and other incidentals for all court attendances where he is required.</p>	<p>Kshs. 536,622 and interest as court rates from 2013</p> <p>Judgement entered on 13<sup>th</sup> June 2019 in favor of the complainant.</p>	<p>Final fee note of Kshs.148,505/= vide letter dated 14/6/2018. Advocate on record is Staussi &amp;Asunah Advocates</p>	<p>Judgment entered against LVSWWDA for the sum of Kshs.536,622/= based on the evidence adduced in court.</p> <p>To await advise on interest and costs from our advocates, In the meantime to settle the decretal award of Kshs.536,622/=</p>
<p>Kisii Cmcc No.139 &amp; 140 Of 2014. Judith Moraa Ongori/ Isaac Ongori Aminga -Vs.- LVSWSB &amp; General Motors East Africa</p>	<p>This is a claim emerging from an accident which occurred on 31/5/2011 involving Motor Vehicle Reg. No. KBN 704E. The Plaintiff is claiming special and general damages.</p> <p>Worth noting is that at the time of accident, General Motors (Supplier) had not delivered the said vehicle to LVSWSB.</p>	<p>Accident claims to be deduced by court</p>	<p>Final fee note of Ksh.91,750/= to Advocate on record Staussi &amp;Asunah Advocates</p>	<p>Judgement was entered against the 2<sup>nd</sup> Defendant General Motors East Africa this means LVSWWDA has nothing to pay in respect of the Plaintiff's claim.</p> <p>The Agency to settle the advocates fee, note of Kshs. 91,750/= which is reasonable and proceed to close the file.</p>
<p>ELRC Court No.30 of 2016 Eng. M.O. Agumba V Chairman LVSWSB and CS MWI Misc. 8 of 2015</p>	<p>Following his dismissal on 19<sup>th</sup> October 2015. The claimant Eng. Moses Orot Agumba moved to the Employment and Labor Relations Court in Kisumu seeking orders on LVSWSB to pay him unpaid dues and payments on the remainder of his term.</p> <p>Next hearing <b>8<sup>th</sup> July 2019</b></p> <p>This was the initial case where Eng. Agumba was praying for reinstatement but LVSWSB got favorable orders</p>	<p>To be deduced by Court based on his last contract</p> <p>Non-monetary claim</p>	<p>Kshs. 5,800,000 deposit payables to Otieno Ragot &amp; Company Advocates</p> <p>Kshs.1,260,000 payable to Otieno Ragot &amp; Company</p>	<p>Case to be set down for hearing.</p> <p>From the look of things, the Claimant has lost interest in the case and it is an easy case for dismissal for want of prosecution. However, the advocate on record insists on</p>

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

	<b>PARTIES</b>	<b>MATTER IN BRIEF</b>	<b>CLAIM</b>	<b>LEGAL FEE</b>	<b>REMARKS /WAY FORWARD</b>
6.				Advocates	payment of his interim fees before filing the application for dismissal. To negotiate on fees since the advocate had been paid an initial deposit (to be ascertained)
7.	KISII ELC Court No. 538 of 2015 PATRICK J OTIENO VS LVSWSB	This is a matter emanating out of the Migori Water Project. The plaintiff is owner of parcel of land Kanyamkago/Kawere 11/1424 bordering Oyani river to the north. He claims that our construction of the weir upstream in 2013 damaged his sugar plantation, mature kales and two fish ponds each stocked with 2500 fingerlings. His prayers are that LVSWSB makes good and pay reparations for damaged occasioned amounting to Kshs. 11,043,525 and damages for violating his rights to be determined by the court and any interests thereon including the cost of the suit. LVSWSB engaged Eng. Ochanda (Who was team leader of Otieno Odongo- the consultant during the implementation of Migori Water and Sanitation Project) who prepared an elaborate counter report putting the claim at Kshs. 1,781,237 and restitution of the embankments by erecting 300 mm wide , 3 m high concrete river bank protection wall ( Training, Diversions ,walls and embankments would cost LVSWSB Kshs. 199,687,773) Next hearing date 3 <sup>rd</sup> July 2019	Claimant wants Kshs. 11,043,525 with interest.	Not ascertained Advocate on record Staussi &Asunah Advocates	The case is partly heard and coming up for defence hearing on 29 <sup>th</sup> October 2019; 1. To initiate out of court negotiations with the Claimant prior to 29 <sup>th</sup> October 2019. 2. To evaluate the cost of reclamation works and work towards resolving future complaints from affected land owners.
8.	ELRC 16 OF 2016 KUCFAW V NYANAS, KIWASCO & LVSWSB	In this matter, KUCFAW the Employees union wants NYANAS, KIWASCO and LVSWSB and Kisumu County Government to settle as various payments totaling to Kshs. 6,748,428 In a ruling delivered by Hon Njagi Marete sitting in Kericho on 9 <sup>th</sup> October 2018 awarded the Union liability at parity (Kshs. 4,000,000-Salary arrears) and (Kshs. 262,000-Union dues)	Kshs. 6,784,428	Final Fee note of Kshs. 854,894 issued. Advocate on record Staussi &Asunah Advocates Asunah Advocates	The union dues were paid on 16 <sup>th</sup> April 2019. The advocate has raised a fee note of Kshs. 854,894/= which is drawn as per the Advocates Remuneration Order thus reasonable and should be paid and the file closed.
9.	ELRC 184 OF	This matter was lodged by Eng. Joshua Omenda	Compensation	Not ascertained	Matter to be heard and dispensed with by

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

PARTIES	MATTER IN BRIEF	CLAIM	LEGAL FEE	REMARKS /WAY FORWARD
2016 OSHUA MOMENDA MADENY V LVSWSB	Odeny who was the board's electromechanical engineer but dismissed on 4 <sup>th</sup> June 2015 on account of gross misconduct amongst other breaches. Matter is well contained with CMHR as the Boards witness. In preparation for hearing CMHR and CMF to compute his dues and benefits as per his terms. Last hearing date was 6 <sup>th</sup> March 2019; no new dates have been communicated.	calculated at court rates with interest as per his letter of appointment.		the Court. Date set for February 2020.
PM COURT AT KEROKA 119 OF 2016 Charles Mogaka Oyugi V LVSWSB & Nyamira County Government	This claim emanates from ongoing project known as Nyangori-Keroka Water Project in Nyamira County. The county government settled the cost of land for the project with the understanding that LVSWSB will settle crops and trees on the land. However, when LVSWSB requested for valuation report it emerged that the County Government had settled in full the cost of land and the trees to land owners. The claimant in this suit had leased a parcel from the land owners to plant trees and was not compensated. Matter is well contained with the Boards witnesses being Eng. Oronje and Mr. John Nganga (County Valuer)  Judgement awaited.	Claimants wants to be paid Kshs.2,000,000	Interim fee note of Kshs 204,745. Advocate on record Staussi &Asunah Advocates	The advocate has raised a fee note of Kshs. 204,745/= which is drawn as per the Advocates Remuneration Order thus reasonable and should be paid and the file closed.
EACC. No. 6 of 2015. Republic V Jared Okello and 2 others	This case emanates from payroll variation amounting to approximately 14 Million which former finance manager of LVSWSB is accused of stealing by servant and obtaining money by fraud. This is an EACC matter in which LVSWSB is an interested party. Accused were found not culpable.	LVSWSB seeks to recover Kshs. 14 Million hoping EACC lodges an appeal	Not Applicable as MLC was appearing in person	No legal fees are payable, however, LVSWSB may wish to watch brief in the event an appeal is lodged by EACC. LVSWSB may institute recovery proceedings against the former employee upon establishing that he has assets which can satisfy the amount lost.
Ticho Enterprises V LVSWSB	Ticho Enterprises Limited is the contractor of Ngochoni (Kioboke) Dam and Associated Works in Kuria West Sub County, Kuria West Constituency, Migori County. Ticho Enterprises has sued the Board for outstanding debt. From technical analysis this claim is not factual because joint final inspection and issuance of substantial completion certificate has not been	Kshs. 874, 972.90 and overdue bank penalties.	Not ascertained Interim Invoice of Kshs 174,000 issued.  Advocate on notice is Sala and Mudany	Suit was allowed in favour of the plaintiff at Kshs 753,782.

Lake Victoria South Water Works Development Agency  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

	PARTIES	MATTER IN BRIEF	CLAIM	LEGAL FEE	REMARKS /WAY FORWARD
		undertaken.  The court ordered that the disputed amount be deposited in an interest earning account in a joint account of the party's advocates as the case is going on.			
13.	Kericho CMCC 71 of 2017 Evelyn Nyanchera Menta (Sabina Moraa Ratemo) V LVSWSB & KEWASCO	On 16 <sup>th</sup> June 2016 a bowser KCA 039F owned by LVSWSB but on lease to Kericho Water and Sanitation Company caused an accident in which Sabina Moraa Ratemo passed away. Last hearing date was 15th May 2019 new dates yet to be communicated.	Fatal accident claims to be adduced in court	Not ascertained	<ul style="list-style-type: none"> <li>The case should have been transferred to the insurer of the Motor vehicle for defense after service of court documents. Since time was of essence the insurer might not accept taking up the case now. All road accidents should be reported as soon as practicable to the insurer to actualize the benefit of having an insurance cover in place.</li> <li>Since the vehicle was being used for the benefit and purport of Kericho Water &amp; Sanitation at the time of the accident, it is important that this is adduced in court to ensure judgment is not entered against the Agency.</li> </ul>
14.	Kericho CMCC 301 of 2016 and 66 of 2017 Cosmas Milgo	On 16 <sup>th</sup> December 2015 M/V KBU 392L driven by the 3 <sup>rd</sup> defendant collided with motor cycle KMCZ 9885 in Kericho County thereby causing injuries to the rider Cosmas Milgo and his pillion passenger	Disability claim to be adduced by court.	Monarch Insurance took over the matter from 8 <sup>th</sup> May 2019 Fee notes of Ms.	<ul style="list-style-type: none"> <li>The case should have been transferred to the insurer of the Motor vehicle for</li> </ul>

**Lake Victoria South Water Works Development Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2019**

PARTIES	MATTER IN BRIEF	CLAIM	LEGAL FEE	REMARKS /WAY FORWARD
and Mary Gesare V LVSWSB China Jianxi Robert Kimathi	Mary Gesare. Monarch insurance has taken up the matter and instructed Kibichy Advocates to take up the matter.		Staussi & Asunah in respect to work so far done to be settled by LVSWSB/LVSWW DA	<p>defense after service of court documents. Since time was of essence the insurer might not accept taking up the case now. All road accidents should be reported as soon as practicable to the insurer to actualize the benefit of having an insurance cover in place.</p> <ul style="list-style-type: none"> <li>• It is prudent to engage our doctor for purposes of carrying out a second medical examination on the Plaintiffs noting that the accidents are not disputed.</li> <li>• To attempt out of court negotiations.</li> </ul>
Kisii HCC 65 of 2017 Zachariah O. Mbogo V Stephen Mabeya Oira Mogare James Ogata	This is matter involving Nyamecheo Community Water Project in Nyamira County. The claimant applied to court under certificate of urgency to issue injunction to defendants to stop erecting any structures, tilling, digging, cultivating or interfere with land Gesima Settlement Scheme /519. The project was started by the Ministry of Water & Irrigation in 2007, in 2017 the project was earmarked by the Ministry for commissioning during the World Water Day celebrations. New dates to be communicated.	Complainant wants to be settled	Not Applicable as MLC is appearing in person With exit of MLC, LVSWSB/LVSWW DA to consider instructing another advocate to handle	This is a matter which can be settled out of court and negotiations on the same should be pursued. The report by the county valuer is in the file.
Nairobi ELC Court	Ronald Sigeyh is the former Managing Director of Chemosit Water and Sanitation Company who was	Kshs. 7,200,000 Notice of appeal has	Fee note of Kshs. 1,537,659	I. To settle the outstanding

Lake Victoria South Water Works Development Agency  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

	<b>PARTIES</b>	<b>MATTER IN BRIEF</b>	<b>CLAIM</b>	<b>LEGAL FEE</b>	<b>REMARKS /WAY FORWARD</b>
	1623 of 2016 Ronald Sigeiyh Vs Chemosit Water and Sanitation Company,  LVSWSB and KCB	sent on an indefinite compulsory leave by the then CEO of LVSWSB, Eng. Michael Ochieng at the onset of invocation of emergency notice under clause 19 of the service provision agreement occasioned by failure by Chemosit Water Company to adhere to Minimum Service Provision levels. Consequently the claimant is claiming for unpaid salaries for 35 months @ Kshs. 130,000 per month and gratuity calculated at 25% of his total basic , general damages and interest ( Kshs. 7,200,000) In the Judgment delivered on 6 <sup>th</sup> July 2018 LVSWSB was absolved from any liability although LVSWSB was ordered to bear its own cost of the suit	been issued by the claimant however the legal fee note of Kshs. 693,639 is still pending since Kshs. 667,500 was paid in August 2018	Advocate on record is Staussi &Asunah Advocates	legal fees of Kshs. 667,500/=  II. Although the advocates intimate that an appeal has been filed, we cannot establish whether the Claimant is desirous of pursuing the appeal until the filing of a memorandum of appeal.  III. We have no document suggesting that an appeal has been filed save for the letter from our advocate on record.
17.	Nairobi Constitutional and Human Rights Court  Petition No. 277 of 2017  Council of Governors V 15 Respondents.  (NEMA, KFS, NDMA and all water sector institutions)	The Council of Governors (CoG) has moved to court through Lawyer Peter Wanyama to sue 15 respondents for infringing the above articles of the constitution. These are National Environmental Management Authority (NEMA), Kenya Forest Service (KFS), Water Resources Authority, WASREB, and WSFT, all the 8 water boards including LVSWSB, National Drought Management Authority and The Attorney General.  The CoG is claiming that the Water Act 2016 diverts funds meant for county governments to an unnecessary multiple institution of the national government contrary to the structure of	Non-monetary claim	All water sector institutions to use one legal counsel- Prof. Albert Mumma. The water sector institutions are sharing an advocate and the agreed contribution towards the deposit of legal fees was Kshs. 100,000/=. To wait for the fee note requesting for the payment to be raised to initiate the payment.	I. No action has been taken by the Claimants in this case towards prosecution.  II.

**Lake Victoria South Water Works Development Agency**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

PARTIES	MATTER IN BRIEF	CLAIM	LEGAL FEE	REMARKS /WAY FORWARD
ELC Kisumu 198 Of 2017  Charko Varkey Vs  KENHA AG-KENYA LVSWB	devolution.  The complainant Mr. Charko Varkey is the registered owner of Kisumu/Municipality/Block 10/564 at Kahoka area Kisumu currently in use by Pinocchio School. The claim is emanating from reconstruction, expansion and redesign of Water and Sewerage infrastructure along Kisumu –Nairobi Road and Ring road Nyalenda in which the claimant states that the sewer line has encroached into his parcel without any compensation and notice of acquisition of the said portion.  Mention will be on <b>2<sup>nd</sup> July 2019</b>	The claim is for: -Valuation of land already acquired -Compensation at Market Rates -Payment of General Damages	Not Ascertained Interim Invoice of Kshs 278,400 issued. Advocate on notice is Sala and Mudany.	The matter will be mentioned on 2 <sup>nd</sup> of December for purposes of taking directions.
Kisii Const. Petition  No.8 of 2018  Simon Otworu & 7 others V LVSWB & 6 others	On 12 <sup>th</sup> February 2018 8 petitioners lodged a matter at Kisii High Court seeking temporary injunction restraining the Board from commencing, surveying, mapping or dealing with all parcels of land constituting Bonyunyu, Bochura, Kanyimbo, Gechona, Nyamakairo, Kerongeta, Botabori and adjoining villages within Gachuba Ward pending hearing and determination of the petition. On 29 <sup>th</sup> June 2018, Judgment was delivered in favor of LVSWB in which the judge found no merit in the petitioners Notice of Motion dated 8 <sup>th</sup> February 2018.	Notice of Appeal was lodged on 16 <sup>th</sup> July 2018	Not ascertained	
Seline Akoth Onyienyo v George Owido & LVSWB ELC No. 51 of	On 31 <sup>st</sup> August 2012 LVSWB acquired Kisumu/Kogony/1041 for use by Kisumu Long Term Action Plan Project, a 6000 cubic meter tank was constructed on the land and LVSWB fully transferred the land from George Owido to	Restitution – removing the 6,000 cubic meter tank	Not ascertained Fee note of Kshs 2,209,800. Advocate on record is Sala and Mudany	There is need to negotiate with the Plaintiff and her husband and reach a settlement for purposes of defeating any further court disputes in respect of the subject matter.

**Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

	PARTIES	MATTER IN BRIEF	CLAIM	LEGAL FEE	REMARKS /WAY FORWARD
	2013	LVSWSB. Without the boards knowledge interlocutory judgement was entered against the Board on 26 <sup>th</sup> October 2015 and that subsequently on 18 <sup>th</sup> January 2016 there was a permanent injunction restraining the LVSWSB from dealing with prompting the plaintiff to institute plans of execution in order to recover costs of the suit. On 30 <sup>th</sup> October 2018 LVSWSB under certificate of urgency managed to halt execution of its property and placed interlocutory judgment aside to have the matter heard afresh.			
22.	CMCC Homabay 103 of 2018 Barack Owuor Aboge V LVSWSB & Gilbert Onjiko Ongocho	Barack Aboge is suing on behalf of Michael Aboge (Deceased). Fatal accident occurred on 1 <sup>st</sup> July 2018 involving KCA 037F a tanker leased to HOMAWASCO by LVSWSB. The tanker had a valid Monarch Insurance Company Sticker KSM/0800/060315/16 whose expiry was 8 <sup>th</sup> November 2018. Gilbert Onjiko Ongocho is an employee of HOMAWASCO and was the driver of the tanker. Matter is yet to commence but there's active communication between HOMAWASCO and LVSWSB	Fatal Accident Claim to be adduced at court rates	To be adduced as no firm has been appointed to act  Refer to legal opinion given	I. Matter being handled by our Insurer Monarch Insurance Company.  II. No anticipated legal fees will arise from the case, however, we are expected to incorporate with the insurer by ensuring witnesses attend court with relevant documents.
23.	ELC KISUMU No. 2 of 2019 Jackson Baburam and 2 others V Suereca EA and LVSWSB	Cause of action arose in 2013 when under the Kisumu Long Term Project where water pipes laid from Kajulu to Kibuye Water Reservoirs were laid on suit property adjacent to Nyerere Highway and Indusi road Junction in Kisumu City; issue at hand is wayleave, trespass and compensation. Suereca E.A Limited was the consultant in the project.	Restitution or settlement at Court Rates	To be adduced as no firm has been appointed to act. This should be hastened as judgement could be entered against LVSWSB/LVSWW DA due to non-representation. Refer to legal opinion given	To obtain particulars from Technical on the dispute and engage an advocate to defend the interest of the Agency.
24.	ELC 28 OF	This is a claimant/plaintiff seeks a declaration that	Declaration that the	Deposit of Kshs.	The suit is yet to be set down for hearing.

**Lake Victoria South Water Works Development Agency  
Annual Reports and Financial Statements  
For the year ended June 30, 2019**

<b>PARTIES</b>	<b>MATTER IN BRIEF</b>	<b>CLAIM</b>	<b>LEGAL FEE</b>	<b>REMARKS /WAY FORWARD</b>
2019 Samwel Okoro Mariwa -vs- Geocop Drilling Company Limited & LVNWWDA	the KISUMU/BORDER/4641 measuring 0.05 Ha belongs to him and the court to evict the respondents/defendants who are alleged to be drilling for water. The court granted a temporary injunction on 17 <sup>th</sup> June 2019 in favour of the Plaintiff.	suit parcel belongs to the Plaintiff.	252,000/= payable to Siganga & Co. Advocates	
WINAM CIVIL CASE NO.211 OF 2015 Felix Apollo Owuor t/a Victoria Blue Services -vs- Victory Construction Ltd &LVSWB	Motor Vehicle Registration number KBQ 506 C was attached by the Plaintiff who is an auctioneer in settlement of a decretal award against Victory Construction Co. Ltd of Kshs. 772,967/=	Execution Proceedings.	Fee note of Kshs 174,000 issued Unascertained since Advocate on notice is Sala and Mudany.	This is case which can be settled out of court.