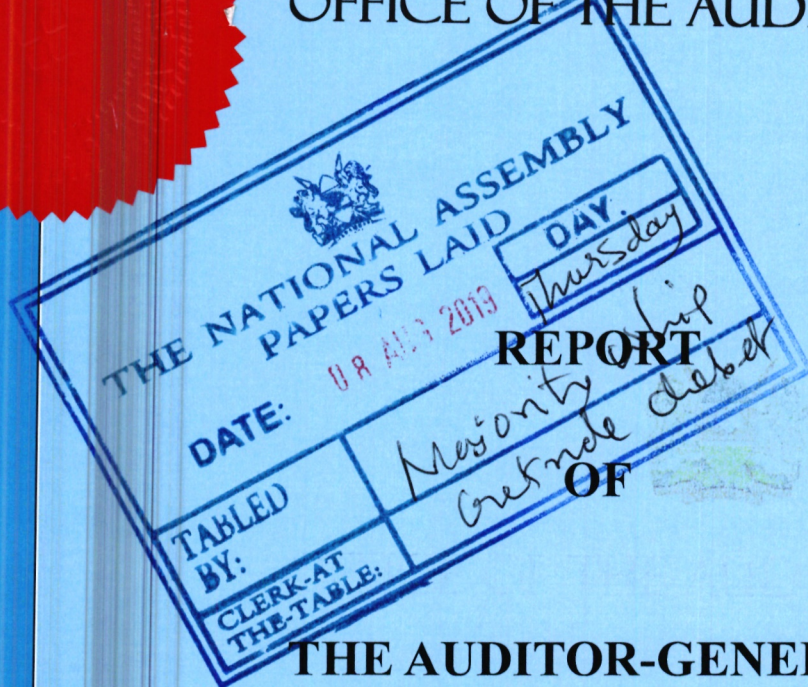


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
LAKE VICTORIA SOUTH WATER
SERVICES BOARD

FOR THE YEAR ENDED
30 JUNE 2018



LAKE VICTORIA SOUTH WATER SERVICES BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2018

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

Lake Victoria South Water Services Board
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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

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(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 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Eng. Petronilla A. Ogut, OGW
2.	Chief Manager Technical Services	Eng. Sammy Mburu
3.	Chief Manager Finance	CPA Francis John Adongo
4.	Chief Manager Human Resource & Admin	Mr Sammy Kigen
5.	Chief Manager Corporate Planning	Mr Renson Makheta upto January 2018
		Ms Phyllis Chepkemboi from February 2018

(e) Fiduciary Oversight Arrangements

The Board has three (3) 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. **Strategy, Technical & 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.

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 2017/18 the board met every quarter.

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KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) Entity Headquarters

Lake Victoria South Water Service Board
Lavictors House, Ring road Milimani
P O Box 3325- 40100
KISUMU, KENYA

(g) Entity Contacts

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

(h) Entity 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

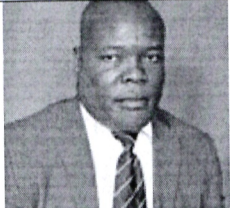
Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(j) Principal Legal Adviser

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

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THE BOARD OF DIRECTORS

N O	NAME	HIGHEST ACADEMIC QUALIFICATION, RESPONSIBILITIES and WORK EXPERIENCE
1	 Hon. Amb. John K. Koech, EGH	Born on 1st August 1946. Appointed on 17th April 2015 as Non-Executive Chairman and ended on 17th April 2018. BA honors Degree in Economics and Geography Post Graduate diploma in education. Chairman of the Board <u>Work Experience</u> • 1973 – 1974 – Teacher Kabianga teaching Economics. • 1975 – 1976 – A Teacher at Kagumo High School. • 1976 -1979 - Senior Education Officer at Provincial Education Office Nyeri central province in charge of Secondary Schools management. • 1979 – 1988 - Member of Parliament Chepalungu, Minister for Public Works. • 1992 – 1997 – Assistant Minister Finance • 1997 – 2000 – Ambassador to UNEP • 2002 – 2004 – Member of Parliament Chepalungu and Minister for East Africa Community and Regional Co-operation.
2	 Mr. George Ayugi	Born on 26th February 1977. Appointed on 17th April 2015 as Non-Executive Director and ended on 17th April 2018. Bachelor of Business Management. Board Member
3	 Dr. Betty Korir	Born on 27th April 1966. Appointed on 17th April 2015 as non-executive director and ended on 17th April 2018 PHD in Biostatistics Moi University, Board Member <u>Work Experience</u> • 2015 2017 – Chairperson of Risk and Audit Committee of the Board LVSWB • 2014 2017 – Head of Department Mathematics and Computer Science. • 2011 – 2014 – Director, Rural Electrification Authority, (REA). • 2011 – 2014 – Member, Finance Committee to the Board (REA). • 2011 – 2014 – Member, Strategic Planning and Implementation (REA). • 2010 – Senior Lecturer: Department of Mathematics, University of Eldoret. • 200 – 2010: Lecturer Department of Mathematics, Moi University. • 1997 – 1999: Tutorial Fellow, Department of Mathematics Moi University. • 1996 – 1997: Parttime Lecturer, Depart.of Mathematics, Moi

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		University.
4	 Mr. Andrew Leteipa Sunkuli	Born on 25th May 1962. Appointed on 17th April 2015 as non-executive director and ended on 17th April 2018. Bachelor's Degree in Education. Board Member <u>Work Experience</u> • 1988 – a teacher at Kabarak High School • 1989 – 1993 – Assistant Editor by Heinemann Educational Books. • 1994 – 2002 – Executive Chairman, East Africa Leadership Center. • 2001 – 2003 – Board Director of Kenya Ports Authority. • 2003 – 2006 – Chief Executive Officer and Principal Owner Rwapas Publishing company. • 2006 – 2012 – Managing Director of various companies.
5	 Mr. Hilary Alila	Born on 5th December 1973. Appointed on 17th April 2015 as non-executive director and ended on 17th April 2018. Bachelor of Commerce (Business Administration and management) Board Member <u>Work Experience</u> • Chairman, Kenya Professional Boxing Commission • Board Member Midlands Global Network • Board member De Lart Development • Director Global RDE (K) Ltd • Director Fil and Fil Mining Company • Director, Jaguar FCZ, Dubai • Director Uhuru Airlines • Director Cybercom-Tech Ltd Nairobi
6	 Mr. Joseph M. Mbatha(Rep. CS. Treasury)	Born on 29th September 1971 Appointed on 24th 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 <u>Work Experience</u> • 2017 to date – Deputy Director, Intergovernmental fiscal Relations department • 2013 – 2016 – Director of Administration, County Government of Machakos • 2012 – 2013 – town Clerk, Town Council of Kangudo Ministry of Local Government • 2012 – Town Clerk, Town Council of Rumuruti, Ministry of Local Government

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		• 2011 – 2012 – Town Clerk, Municipal Council of Homa Bay, Ministry of Local Government. • 2009 – 2011- County Treasurer, County Council of Meru Central Ministry of Local Government • 2008 – 2009 - Town Treasurer, Municipal Council of Machakos, Ministry of Local Government • 2005 – 2008 – county Treasurer, County Council of Bungoma • 2005 – County Treasurer, County Council of Isiolo, Ministry of Local Government.
	 Mr. Joshua Ouma(Rep. CS. MWI)	Born on 22nd November 1956. Appointed on 17th April 2015 to represent the Cabinet Secretary Ministry of Water and Sanitation as a non-executive director. Bachelor of Arts Public Administration and Sociology. Board Member
8	 Mrs. Hellen Makone	Born on 2nd May 1959. Appointed on 17th April 2015 as non-executive director and ended on 17th April 2018. Master's in Business Administration. Board Member <u>Work Experience</u> • 1994 – 1996 – Project Manager, Kenya Centralization Project. • 1992 – 1994 – Branch Manager, Moi Avenue • 1991 – 1992 – Branch Manager Standard Chartered Bank Nakuru • 1989 - 1991 Branch Manager Standard Chartered Bank, Old Mutual • 1986 – 1989 – Operational Manager, Haile Selassie Avenue • 1985 - 1986 Trade Finance Standard Chartered Bank, Kenyatta Avenue • 1984 – 1985 – Sub-Accountant Standard Chartered Bank, Kimathi Street • 1983 – 1984 – Sub-Accountant, Standard Chartered Bank, Westland's
9	 Mrs. Rosemary Rumu	Born on 5th December 1974. Appointed on 17th April 2015 as non-executive director. KCSE C+ Business Lady and ended on 17th April 2018. Board Member <u>Work Experience</u> • 2015 to date Director Lake Victoria South Water Services Board. • Serios Business Lady
10		Born 1978. Appointed on 17th April 2015 as non-executive director and ended on 17th April 2018. Higher Diploma in Marketing. Board Member <u>Work Experience</u>

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	Mrs. Violet Omwamba	• 2011 to date - Executive Financial Advisor, ICEA Lion Group • 2005 – 2010 - Sales Executive, CFC Life Assurance • 2000 – 2004 - Accounts Assistant, Jalaram Drapers.
11	 Mrs. Consolata Adhiambo Onguto	Born on 22rd October 1965. Appointed on 17th June 2016 as non-executive director. Bachelor of Education Arts. Board Member Work Experience • 2012- Training of Trainers- Providing voter education in Central Region. • 2005 – 2007 – Programme Officer supporting programme coordinator in documentation of GOAL Kenya's children in difficult circumstances. • 200 – 2001 Personal Assistant to County Commercial Manager, British Airways, • Handling passenger complaints and correspondence, Embassy of the Republic of Korea. • 1992 – 1996 - Personal Assistant to His Excellency the Ambassador. • 1989 – 1992 – Teachers Service Commission.
12	 Mrs. Rose Aluoch Gonda	Born on 15th December 1963. Appointed on 17th June 2016 as non-executive director. Masters in Commerce. Board Member Work Experience • 1990 – 1991 – A teacher at Dede Girls High School. • 1991 – Growers Accountant at South Nyanza Sugar Company • 1993, transferred to credit section as Creditors accountant. • 1993 – 1995 - Transferred to management accounts department as management accountant. • 1995 – 1997 – Accountant Grade 1 Concord Insurance Co. Ltd • Director Biz point Company.
13	 Mr. Victor O Omanwa	Born on 1st November 1978. Appointed on 17th June 2016 as non-executive director. Diploma in project management. Board Member Work Experience • Dealer in Supply of Petrol from Nakuru depot to Kisii and Kisumu • Matatu Business areas covered Nairobi and Kisii • Manager Real Estate • Director Sylvo International Construction Company Ltd.

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14		Born on 10th July 1949. Appointed on 17th June 2016 as non-executive director. PHD in Environmental Biology. Professor of Environmental Biology and Health. Board Member Work Experience • Founder and Director General of Victoria Institute for Research on Environmental and Development (VIREN) International Kisumu • Has 25 professional expertise and working experience in Agriculture,, Food Security Nutrition and Ecosystem and Natural Resources management in Tropical Africa. • Managing several Donor funded collaboration research and community based projects including the UNDP Supported NyandoWetland Conservation. • SIDA funded efficient management of Waste Water. • The ASARECA funded on payments for Environmental Services in Transboundary landscapes in East and Central Africa. • FAO, USAID AND JICA funded community based Flood Mitigation projects in Lake Victoria Basin. • Project Coordinator of the No sex for Fish (NSFF) Project in Lake Victoria Basin. • Senior research scientist at ICIPE IN Kenya and Somalia. • Managing Director Lake Basin Development Authority • President of Africa wide ARPPIS Scholars Association (ASA) among others. • Lead Consultant in numerous environmental management and food security projects in Kenya, Somalia, DRC, and Mozambique. • 2010 received Presidential award of Elder of Burning Spear (EBS) of Kenya.
15		Born in 1968. Reported on 8th August 2016 as Chief Executive Officer. Qualifications:- Masters in Business Administration, Post graduate Diploma in Corporate Finance & 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 Work experience:- - August 2016 to current- Chief Executive Officer Lake Victoria South Water Services Board responsible for the day to day business of the Board - October 2015 to July 2016 Lecturer Technical University of Kenya in the department construction and civil engineering - November 2009 to March 2014: Managing Director National Water Conservation and Pipeline Corporation responsible for the day to day business of the Corporation - October 2005 to October 2009- Chief Manager Technical Services

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		Lake Victoria South Water Services Board responsible for all technical aspects related to Engineering Planning, design and implementation of water and sewerage services - 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 - October 2004 Deputy Chief Development Services Manager National Water Conservation and Pipeline Corporation responsible for construction supervision and contract management - June 2003 to September 2004:- Deputy Chief Inspection & Technical Manager National Water Conservation and Pipeline Corporation responsible for Coordination of Technical & Financial Inspection of projects. Team leader for evaluation of consultants performance under Malindi Management Contract - 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 - April 1999 – August 2001:-Engineer I National Water Conservation & Pipeline Corporation responsible for Project proposal writing, Technical report writing and Performance monitoring & evaluation - February 1993 to September 1997-Deputy Regional Manager – western Region National Water Conservation and Pipeline Corporation responsible for operations and maintenance of water supplies - 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.
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MANAGEMENT TEAM

NAME	KEY QUALIFICATION AND RESPONSIBILITY
 Eng. Petronilla A. Ogut, OGW	Eng. Petronilla A. Ogut, OGW is the Chief Executive Officer. Is a holder of BSC degree in Civil Engineering, MSC and MBA. She is a registered Engineer with the Engineers Board of Kenya (EBK) and a member of the Institution of Engineers of Kenya (IEK).
 Eng. Sammy Mburu	Eng. Sammy Mwangi Mburu is the Chief Manager Technical Services. Is a holder of BSC degree in Civil Engineering and Master of Business Administration in Strategic Management. He is a registered Engineer with the Engineers' Board of Kenya (EBK) 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).
 Mr. Renson Makhethi	Mr Renson M. Wanyonyi is the Chief Manager Corporate Planning Mr Makhethi has BA in Economics (UON), MBA Strategic Management (UON) and is currently a PHD student in Business Administration, strategic management option in Jomo Kenyatta University of Agriculture and Technology. Mr. Renson Makhethi Chief Manager Corporate Planning ceased service with the Board at the end of January 2018.
 Ms Phyllis Chepkemboi	Ms Phyllis Chepkemboi is the Acting Corporate and Planning Manager. 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. Phyllis took over on an acting capacity from Mr. Renson Makhethi Chief Manager Corporate Planning from February 2018.

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II. CHAIRMAN'S STATEMENT



I am pleased to present Lake Victoria South Water Services Board Financial Report for the year ended 30th June 2018. The Board is among the 8 Water Service Boards established under the Water Act 2002 through Gazette Notice No. 1714 of 12th March 2004. The Board is responsible for ensuring efficient and economic provision of Water and Sanitation Services 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.

The National Values as enshrined in Article 10 of the Constitution gives us responsibility as a public institution to uphold and promote them. These values are fundamental in guiding our corporate and individual actions. The Board, in executing its mandate has embraced the need to promote equity and sustainable development of water and sanitation projects. We have also demonstrated commitment to uphold integrity in the use of public resources.

Under good corporate governance, the Directors have expressed their commitment by signing the code of ethics and *Mwongozo* code of conduct. The Board encourages public participation in all project activities to enhance inclusivity, ownership and sense of responsibility.

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.

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The Board 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 performances 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.



MRS. CONSOLATA ADHIAMBO ONGUTO
FOR CHAIRPERSON BOARD OF DIRECTORS

Lake Victoria South Water Services Board
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III. 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 of LVSWSB for the year ending 30th June 2018 highlights the Board's continued growth in operations and financial performance. The financial statements have been prepared in accordance with the International Public Sector

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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.

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. Petronilla A. Ogut, OGW

Chief Executive Officer

IV. CORPORATE GOVERNANCE STATEMENT

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

The Role of the Board

The Board 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.

Board Composition

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 17th April 2018 and with effect from 18th 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 understanding of the organizations' functions, roles and accountabilities, business model and operations.

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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.

	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
Finance & HRA Committee	18 th July 2017	5 th October 2017	9 th Jan 2018	5 th April 2018
Risk & Audit Committee	19 th July 2017	6 th October 2017	10 th Jan 2018	6 th April 2018
Strategy Technical & Business Devt Committee	20 th July 2017	12 th October 2017	11 th Jan 2018	12 th April 2018
Full Board	21 st July 2017	13 th October 2017	12 th Jan 2018	13 th April 2018

Organisation Structure

The Board has a clearly defined organisation 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.

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V. CORPORATE SOCIAL RESPONSIBILITY 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 10,000L Plastic Water tanks

In the financial year 2017/2018, the Board 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.

NO.	BENEFICIARY INSTITUTION	COUNTY
1.	Mutumbu Primary School	Siaya County
2.	Ndere Primary School	Siaya County
3.	Rangala Childrens Home	Siaya County
4.	St. Pauline Catholic Church	Siaya County
5.	Wasare A.I.C Church	Kisumu County
6.	St. James ACK Diraho	Siaya County
7.	Ogenya Primary School	Kisumu County
8.	Kasang'any Primary School	Kisumu County
9.	Bwanda Primary School	Kisumu County
10.	Bunde Secondary School	Kisumu County
11.	Wawidhi Girls	Kisumu County
12.	Korwana Primary School	Kisumu County
13.	Nyamiobo DOK Primary School	Kisii County
14.	Nyangena DOK Primary School	Kisii County
15.	Nyangoge DOK Primary School	Kisii County
16.	Suneka DOK Primary School	Kisii County
17.	D E B Primary School	Nyamira County
18.	Repentance and Healing Church	Kisumu County
19.	St. Ann Nyagoge Girls Nyambunwa	Kisii County
20.	Tinderet Primary School	Kericho County
21.	St. Paul Education Centre	Homabay County
22.	Sagegi Mixed Secondary Sch	Migori County
23.	Sagegi Primary School	Migori County
24.	Sagegi S.D.A Church	Migori County
25.	Kisegi Primary School	Migori County
26.	Kisegi Secondary School	Migori County
27.	Obollo Secondary School	Migori County
28.	Olbutyo Girls High School	Bomet County
29.	Riamonting'a Primary School	Kisii County
30.	Pala SDA Church	Homa Bay County
31.	Mwer Primary School	Siaya County
32.	Munke Primary School	Narok County

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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.

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VI. MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

In the period under review, the board received development grants amounting to Ksh.324, 238,579 which was lower compared to the previous financial year receipts of Kshs. 543, 805,342. The recurrent grant received was Kshs. 82,000,000 against a budgetary allocation of Kshs. 82,000,000. The recurrent grant increased by 42 million from Kshs. 40 million to 82 million in the financial year 2017/2018.

Other incomes category also registered an increased as compared with the previous financial year performance, which is from Kshs. 3,194,580 to Kshs. 6,564,782 in 2017/2018. Water levies revenue from Water Service Providers performed slightly better and as a result the board managed to realize Kshs. 46,640,847 higher from Kshs. 42,838,682 in the financial year 2016/2017.

The board incurred a total expenditure of Kshs. 365,640,539 resulting to a deficit of Kshs. 7,106,464 . 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 Homa Bay 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.

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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	672,929
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
TOTAL	14,757,607,495	2,368,242	22,798,800,000	2,178,822	37,556,407,495	4,547,064

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 Board therefore requiring the government to fully finance the Board's recurrent operations. The capacity of Water Service Providers on loan repayment is a risk resulting the need for the Board to maintain a resources capacity for management of water supply until the loan are fully paid.

Compliance with statutory requirements

The board complied with all legal provisions of the Acts which affects the operations of the board 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.

Lake Victoria South Water Services Board
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VII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Lake Victoria South Water Services Board's affairs.

Principal activities

The principal activities of the entity 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 entity for the year ended June 30, 2018 are set out on page 1 to 5

Directors

The members of the Board of Directors who served during the year are shown on page v. During the year eight directors' retired and no new appointments were made.

Auditors

The Auditor General is responsible for the statutory audit of the Lake Victoria South Water Services Board in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30, 2018.

By Order of the Board



ENG. PETRONILLA A. OGUT, OGW
CHIEF EXECUTIVE OFFICER

Date: 28/9/2018

Lake Victoria South Water Services Board
Annual Reports and Financial Statements For the year ended June 30, 2018

VIII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of Lake Victoria South Water Services Board financial statements, which give a true and fair view of the state of affairs of the Board for and as at the end of the financial year ended on June 30, 2018. 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 entity;
- (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 Lake Victoria South Water Services Board;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for Lake Victoria South Water Services Board 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 Lake Victoria South Water Services Board financial statements give a true and fair view of the state of Board's transactions during the financial year ended June 30, 2018, and of Lake Victoria South Water Services Board financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Lake Victoria South Water Services Board, which have been relied upon in the preparation of the Board's financial statements as well as the adequacy of the systems of internal financial control.

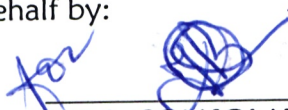
Nothing has come to the attention of the Directors to indicate that Lake Victoria South Water Services Board will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

Lake Victoria South Water Services Board financial statements were approved by the Board on 28th September 2018 and signed on its behalf by:



ENG. PETRONILLA A. OGUT, OGW
CHIEF EXECUTIVE OFFICER



MRS. CONSOLATA ADHIAMBO ONGUTO
CHAIRPERSON OF THE BOARD

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON LAKE VICTORIA SOUTH WATER SERVICES BOARD FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Lake Victoria South Water Services Board set out on pages 1 to 37 which comprise the statement of financial position as at 30 June 2018, and the Statement of financial performance, statement of changes in net assets, statement of cash flows, and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the 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 as at 30 June, 2018, 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, State corporation Act chapter 446 and Public Finance Management Act ,2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

1.1 Misstatement of and Unsupported Cash and Cash Equivalents Balance

The Statement of financial position for the year ended 30 June 2018 reflects a cash and cash equivalents balance of Kshs.176,402,974. However as included in the Note 33, the board operates two development accounts with the same bank account number with different closing balances of Kshs.64,509,211 and Kshs.69,082,376 as at 30 June 2018. From the bank statements provided, only the balance of Kshs.64,509,211 could be confirmed leaving the balance of Kshs.69,082,376 unsupported.

Under the circumstance, the accuracy and completeness of the cash and cash equivalents balance of Kshs.176,402,974 as at 30 June 2018 could not be ascertained.

Report of the Auditor-General on the Financial Statements of Lake Victoria South Water Services Board for the year ended 30 June 2018

1.2 Misstatement of Receivables from Exchange Transactions

Included in the Statement of financial position reported Kshs.201,699,655 from receivables from exchange transactions as at 30 June 2018. However, it was noted that these are monthly levy fees from water service providers (WSPs) which have been carried forward from previous years. The age analysis of these debtors were not provided for audit scrutiny. Further, from the annual returns of water service providers (WSPs) made available for audit review, the computed outstanding debtors was Kshs.207,391,660 after the provision of doubtful debtors. This resulted in a difference of Kshs.5,692,005 from the financial figure of Kshs.201,699,655 as at 30 June 2018.

In the circumstance the accuracy, propriety and validity of the account balance on receivables from exchange transactions of Kshs.201,699,655 as at 30 June 2018 could not be confirmed.

1.3 Misstatement of Revenue from Exchange Transactions-Water Service Providers (WSPs)

Statement of financial performance under Note 20 to the financial statements for the year ended 30 June 2018 reflect Kshs.46,640,846 revenues from exchange transactions which in turn include eight (8) Water Service Providers (WSPs) figure of Kshs.46,640,846. However, analysis of annual revenue returns from the Water Service Providers reported total revenue of Kshs.48, 311,642 that differed with the reported revenue of Kshs.46,640,846 by Kshs.1,670,796.

Consequently, the accuracy and completeness of the total revenue from water service providers of Kshs.46,640,846 as at 30 June 2018 could not be ascertained.

1.4 Financial Statements and Notes Differences

The statements reflected the following errors:

Item	Financial Statements Kshs.	Notes to Financial Statements Kshs.	Cash Flow Statement Kshs.	Difference Kshs.
Other Incomes	6,319,736	6,564,783	-	(245,047)
Administration and Establishment Expenses	59,203,245	35,924,829	-	23,278,416
Remuneration of Directors	-	23,278,416	-	(23,278,416)
Provision for Depreciation,	98,452,852	98,049,113	-	403,739

Item	Financial Statements Kshs.	Notes to Financial Statements Kshs.	Cash Flow Statement Kshs.	Difference Kshs.
Amortization and Bad Debts				
Inventories	5,026,377	5,028,395	-	(2,018)
Statement of Changes in Net Assets	6,447,451,190	6,447,741,550	-	(290,360)
Goods and Services-Statement of Financial Performance Notes(21-24)-	106,772,520	-	106,482,165	290,355

The differences were not explained nor supported. In addition, the statement of net assets figure casting results to a total of Kshs.6,447,451,190 instead of Kshs.6,447,741,550 shown. Consequently, the accuracy of the financial statements could not be confirmed for the year ended 30 June 2018.

2. Undisclosed Contingent Liability

The available financial records indicated that a law firm is claiming Kshs.31,756,800 from the Board in respect to a case that relates to the year 2008. The Board in response confirmed that as at 30 October 2008 the legal fee was Kshs.31,756,800. It was not clear why the amount was not disclosed in the financial statements as at 30 June 2018. No explanation was given by management for this omission.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of in accordance with ISSAI 30 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

1. Budgetary Control and Performance.

1.1. Under Absorption

Analysis of the Approved Budget revealed that the original budget was Kshs.490,000,000. However, the final budget indicated receipts of Kshs.379,377,500 against expenditure of Kshs.379,377,500 after an adjustment figure of Kshs.110,622,500, raising doubt on ability

of the Board to deliver its mandate due to income reduction by a net figure of Kshs.110,622,500. The Board also underspent on two key items, that is operation and maintenance Kshs.6,517,504 and water supplies development and capital projects Kshs.106,459,877. The under absorption means that the citizens did not get the expected value for money.

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. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, a description of how the audit addressed the matter is provided in that context.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit section of the report, including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements.

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

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 matter(s) described in the Basis for [Conclusion on Lawfulness and Effectiveness in Use of Public Resources/ Qualified Opinion] section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Project Verifications

1.1 Incomplete Works

A local company was awarded contract to equip Tingare and Sikalame Boreholes at a contract sum of Kshs.4,813,974. However, physical verification carried out on 7 February 2019 revealed the following anomalies in relation to the works.

a) Sikalame Bore Hole

- i. The BQ (under bill No 6.01), indicated construction of 2 No water Kiosks which should be painted in three coats with Logos and names of Lake Victoria South Water Services Board at Kshs.180,000. However physical verification revealed that this was not done.
- ii. One water kiosk under Sikalame bore hole did not have the overhead tank (5000 litres)
- iii. Further, examination of BQ (under bill No. 5.04.03) revealed that, the contractor had not done the fencing amounting to Kshs.25,000 as per the BQ.
- iv. Bill No. 6.1 was for the construction of a power house size 4m by 3m amounting to Kshs.150,000. However, an inspection carried out indicated that there was no value for money as the power house verified was approximately 3m by 2m and not as per the BQs measurements of 4m by 3m. It was also difficult to ascertain the costs of the pump house as the project in the BQ was a block item instead of being itemized.
- v. There was water at the two water kiosks(points).
- vi. The projects were (water point tanks – 2 No tanks) not labeled and thus difficult to know the financier, contractor and the financial year which the project was done.

b) Tingare Bore Hole

- i. The project is situated at Tingare Police post.
- ii. Verification at Tingare water borehole indicated the works were done, project was labelled with Water Board Logo, however no financial year was indicated when the project was done, thus difficult to ascertain the financial year done.
- iii. The power house couples as pump house which is very risk to the operator.
- iv. Examination of the BQ under (Bill No. 3.1) showed a power house as an item amounting to Kshs.150,000, which was a block figure and not itemized thus difficulty to compare the works done versus the BQ.

In view of these anomalies, the propriety and validity of the expenditure of Kshs.4,813,974 in respect to the two projects could not be confirmed.

2. Kaptumeiyo Taunet Water Pipeline Extension

A local company was awarded contract for the Construction of Kaptumeiyo Taunet water pipeline extension at contract sum of Kshs.19,318,165. Total contract value executed to date

amounted to Kshs.16,891,645. However, audit verification revealed the following anomalies in relation to the works:

- i. There was no inspection and acceptance report availed for audit review to show works were inspected before payment was done.
- ii. An examination of the BQ indicated a provisional sum of Kshs.600,000 in respect of acquisition of way leaves for dam site and water kiosk locations. However, visitation on the ground revealed no payment had been done to the respective owners of the land.
- iii. No sale agreements or title deeds were availed for audit review. Thus the owners of the land were complaining as evidenced by our interaction by one, where the dam is located.
- iv. We noted water testing was done at MEA Fertilizers as evidenced by water analysis report dated 11 December 2017, a firm dealing with production of fertilizers. In addition, physical verification carried out on 21 February 2019 revealed the following observations:
 - Water kiosks were done and verified, however no water present, thus no value for money as the intended purpose was to supply water to the locals. Further, the water kiosks were not labelled with the name of the financier and year the project was done.
 - At the dam site, it was not fenced as the cattle were drinking water directly from the dam as the cattle trough was not operational, an indication that the water may not be safe as the animals foul the water with dung and urine.
 - Various water meters and valve chambers were poorly done as they were detached from their respective man holes, an indicator of poor workmanship and lack of supervision of the project by the board.
 - Some PVC pipes at Kaploa Primary school were destroyed as they had not been laid deep as required in the BQ (1metre deep).
 - The project has not been handed over to the community. Further, the community around were not allocated at least one water point to serve them, which may result them not embracing the project.

In view of these anomalies, the propriety and validity of the expenditure in respect to the project could not be confirmed.

3. Rangwe Water Supply II

The construction of Rangwe Water Supply Phase II to construct three water tanks was awarded to a local company as detailed below:

Item	Description	Contract Amount Kshs.	Current Valuation Kshs.
D	100m ³ Storage tank at Namba Nyokal	2,467,074	886,489
E	25m ³ Masonry Reservoir tank at Ndiru	711,254	171,165
F	50 m ³ Masonry tank at Ndiru Market	1,089,440	311,935
	Total	4,267,768	1,369,589

However, project verification done on 14 February 2019 revealed the following unsatisfactory issues:

- i. Contractor was not on site
- ii. There were no title deeds availed in order to ascertain ownership of land on which the tanks are located.
- iii. No sale agreements of the land were availed for audit review.
- iv. It was noted that the 100m³ capacity tank at Nyokal has stalled and abandoned as there was no contractor on site.
- v. The contract period was to take 6 months, start date being 12 April, 2017. No extension of the contract was given. No site meeting minutes were availed to enable us ascertain progress of works upto abandonment time.
- vi. No valuation report was availed to ascertain the current status and reasons as to why no action has been taken to accomplish the project.
- vii. The project was incomplete at the time of audit verification.

In view of these anomalies, the propriety and validity of the expenditure in respect to the projects could not be confirmed.

4. Tulwap Kipsigis Water Project

A local company was awarded contract for the construction Tulwap Kipsigis water supply project at contract sum of Kshs.7,697,850. Total contract value executed to date amounted to Kshs.4,641,566. However, audit verification revealed the following anomalies in relation to the works:

- i. Audit verification of the project revealed that it was incomplete.
- ii. 50M³ masonry tank amounting to Kshs.569,700 constructed was poorly done. It had not been plastered and the tank indicated signs of leakage.

- iii. At one water kiosk point, a raised water tank was missing.

In view of these anomalies, the propriety and validity of the expenditure in respect to the projects could not be confirmed.

5. Keriba Bore Hole and Equipping

A local company was awarded contract for the Construction Keriba bore hole supply project at contract sum of Kshs.2,110,200. Total contract value executed to date amounted to Kshs.2,034,300. However, audit verification revealed the following anomalies in relation to the works:

- i. The project was located on private land belonging to Edwin Borusei ID No.12553823, phone No. 0723418697 (Kiriba-sub-location, Kongasis-Location, Siongiroi Division, Chepalungu- Sub-Location), the owner was not compensated.
- ii. No sale agreement was availed for audit review.
- iii. The water kiosk at Keriba on the private owner's land had a cracked flow as a result of poor workmanship.
- iv. The project was not labelled indicating the financier and the year the project was done.
- v. The project is complete and not in use, no value for money as water is not connected and reaching the intended users.

In view of these anomalies, the propriety and validity of the expenditure in respect to the projects could not be confirmed.

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 INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter(s) described in the Basis for [Conclusion on Effectiveness of Internal Controls, Risk Management and Governance/Qualified Opinion] section of my

report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Public Sector Accounting Standards (Accrual 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 governance.

In preparing the financial statements, management is responsible for assessing the Lake Victoria South Water Services Board ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Lake Victoria South Water Services Board or to cease operations, or have no realistic alternative but to do so.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 Lake Victoria South Water Services Board policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgment 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 going concern 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 Lake Victoria South Water Services Board ability to continue as a going concern or 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 Lake Victoria South Water Services Board to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Lake Victoria South Water Services Board 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.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

19 June 2019

X. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
	NOTE	Kshs	Kshs
Revenue from Non-Exchange Transactions			
Exchequer grants	17	230,099,755	391,011,827
Deferred income transfer	18	75,473,737	74,347,753
Total revenue from Non-Exchange Transactions		305,573,492	465,359,580
Revenue from Exchange Transactions			
Other Incomes	19	6,319,736	3,194,580
WSPs Revenue	20	46,640,846	42,838,682
Total revenue from exchange transactions		52,960,583	46,033,262
Total Revenue		358,534,075	511,392,842
Operations and Maintenance Expenses	21	14,745,176	16,508,617
Supplies and Services	22	28,226,593	26,736,507
Administrative and Establishment Expenses	23	59,203,245	120,516,021
Transport Costs	24	4,597,506	5,108,054
Water Supplies Development	25	51,711,347	86,451,574
Employee Costs	26	108,455,502	105,481,434
Remuneration of Directors	27		
Bank Charges	28	248,317	129,294
Provision for Depreciation , Amortization ad Bad Debts	29	98,452,852	116,069,111
Total Expenses		365,640,539	477,000,613
Surplus/(Deficit) attributable to Owners of controlling equity		(7,106,464)	34,392,230

The notes set out on page 13 to 31 form an integral part of these Financial Statements.

XI. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

		2018	2017
ASSETS	NOTE	Kshs	Kshs
Current Assets			
Inventories	32	5,026,377	4,197,130
Cash and Cash Equivalents	33	176,402,974	251,598,688
Receivables from Exchange Transactions	34	<u>201,699,655</u>	<u>195,366,286</u>
		383,129,006	451,162,104
Non-Current Assets			
Property, Plant and Equipment	31	12,163,627,057	10,908,064,110
		<u>12,163,627,057</u>	<u>10,908,064,110</u>
Total Assets		<u>12,546,756,062</u>	<u>11,359,226,214</u>
LIABILITIES			
Current Liabilities			
Payables from Exchange Transactions	35	357,098,246	385,582,674
Non-Current Liabilities			
Long-Term Loans	36	5,742,206,626	4,843,082,266
Total Liabilities		<u>6,099,304,872</u>	<u>5,228,664,940</u>
Net Assets		<u>6,447,451,190</u>	<u>6,130,561,273</u>
RESERVES			
Government Grants	37	3,617,367,402	3,431,288,114
Donor Grants	38	1,969,420,500	1,773,242,840
Deferred Income	39	944,428,747	1,002,689,314
Revenue Reserve	40	<u>(83,765,458)</u>	<u>(76,658,994)</u>
		<u>6,447,451,190</u>	<u>6,130,561,273</u>

The Financial Statements set out on pages 13 to 31 were signed on behalf of the Board of Directors by:


Chief Executive Officer
Eng. Petronilla A. Ogut, OGW


Chief Accountant
CPA Rosemary Chelangat
ICPAK M/NO.:6361


Chairman of the Board
Mrs. Consolata A. Onguto

Date 28/9/2018

Date 28/09/2018

Date 28/09/2018

XII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

		Government Grants	Donor Grants	Deferred Income	Revenue Reserve	Total
	Notes	Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at 30 JUNE 2015		2,935,097,102	954,734,844	937,414,331	-97,170,077 (13,881,147)	4,766,076,200 (13,881,147)
Surplus/(deficit) for the period						
Transfer to Income	39			(50,539,960)		(50,539,960)
Government Grant	37	303,398,504		7,766,153	-	311,164,657
Donor Grant	38	-	520,702,674	-	-	520,702,674
Balance as at 30 JUNE 2016		<u>3,238,495,606</u>	<u>1,475,437,518</u>	<u>930,640,524</u>	<u>-111,051,224</u>	<u>5,533,522,419</u>
Balance as at 1st July 2016		3,238,495,606	1,475,437,518	930,640,524	-111,051,224	5,533,522,419
Revenue Reserves	40		-	-	34,392,230	34,392,230
Transfer to Income	39		-	(92,300,431)	-	(92,300,431)
Government Grant	37	192,792,508	-	164,349,221	-	357,141,733
Donor Grant	38	-	297,805,322	-	-	297,805,322
Balance as at 30 JUNE 2017		<u>3,431,288,114</u>	<u>1,773,242,840</u>	<u>1,002,689,314</u>	<u>(76,658,994)</u>	<u>6,130,561,273</u>
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	40		-	-	(7,106,464)	(7,106,464)
Transfer to Income	39		-	(78,260,568)	-	(78,260,568)
Government Grant	37	186,079,288	-	20,000,000	-	206,079,288
Donor Grant	38	-	196,177,660	-	-	196,177,660
Balance as at 30 JUNE 2018		<u>3,617,367,402</u>	<u>1,969,420,500</u>	<u>944,428,747</u>	<u>(83,765,458)</u>	<u>6,447,741,550</u>

Lake Victoria South Water Services Board
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XIII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 Kshs	2017 Kshs
Receipts			
Exchequer grants	17	230,099,755	391,011,827
Deferred income transfer	18	75,473,737	74,347,753
Other Incomes	19	6,319,736	3,194,580
WSPs Revenue	20	46,640,846	42,838,682
Total revenue		358,534,075	511,392,842
Payments			
Compensation of employees	26	108,455,502	105,481,434
Goods and services	21-24	106,482,165	169,112,230
Finance cost	27	248,317	129,294
Other payments	25	51,711,347	86,451,574
Total Payments		267,187,687	361,174,532
Net cash flows from operating activities		91,346,388	150,218,310
Cash flows from investing activities			
Purchase of property, plant & Equipment	31	(1,340,888,723)	-1,455,216,549
Increase/(Decrease) in current Payables from exchange transactions	36	28,484,429	37,466,049
(Increase)/Decrease in Non current receivables from exchange transactions	35	(20,580,046)	-13,624,635
Net cash flows used in investing activities		(1,332,984,340)	-1,431,375,134
Cash flows from financing activities			
Proceeds from borrowings	36	899,124,360	922,362,631
Proceeds from Donor Grants	38	196,177,660	297,805,322
Proceeds from Government Grants	37	186,079,288	192,792,508
(Decrease)/Increase in deferred income	40	(58,260,568)	72,048,790
Net cash flows used in financing activities		1,223,120,741	1,485,009,251
Net (decrease) /increase in cash and cash equivalents		(75,599,451)	203,852,427
Cash and cash equivalents at 1ST JULY 2017		251,598,688	47,746,261
Cash and cash equivalents at 30TH JUNE 2018	33	176,402,974	251,598,688

XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

	Original budget 2017/2018 Kshs	Adjustments 2017/2018 Kshs	Final budget 2017/2018 Kshs	Actual on comparable 2017/2018 Kshs	Performance difference 2017/2018 Kshs
Income					
GoK Recurrent Grants to Board Hq	55,000,000	27,000,000	82,000,000	82,000,000	-
WSB Levies & Other Income	35,000,000	-	35,000,000	52,960,583	17,960,583
GoK Development & Counterpart	400,000,000	(137,622,500)	262,377,500	223,573,492	(38,804,008)
Total income	490,000,000	(110,622,500)	379,377,500	358,534,075	(20,843,425)
Expenses					
Operations and Maintenance		-			
Expenses	21,262,680		21,262,680	14,745,176	-6,517,504
Supplies and Services	27,672,796	-	27,672,796	28,226,593	553,797
Administrative and Establishment	35,718,659	-	35,718,659	35,924,829	206,170
Remuneration of Directors	23,278,416		23,278,416	23,278,416	
Transport Costs	4,569,906	-	4,569,906	4,597,506	27,600
Water Supplies Development & Capital Projects	268,793,724	(110,622,500)	158,171,224	51,711,347	-106,459,877
Employee Costs	108,455,502	-	108,455,502	108,455,502	0
Finance Costs	248,317	-	248,317	248,317	0
Total Expenditure	490,000,000	(110,622,500)	379,377,500	267,187,687	-112,189,814

Budget notes

1. The Board was reallocated reduced budget on the third quarter on supplementary by the Government. Hence received less than initial budget expected.

XV. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Lake Victoria South Water Services Board is established by and derives its authority and accountability from Water Act 2002. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is 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".

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis impaired assets have been valued 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 Board's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Notes.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Lake Victoria South Water Services Board.

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 2018

Standard	Impact
IPSAS 39: Employee Benefits	Applicable: 1 st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach. The Board contributes to the define contribution scheme for the employees where employer contributes 15% and employee 7.5% of the basic salary. The Standard is therefore applicable to the Board.

ii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The Board 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 entity 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 entity 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

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 entity.

Interest income

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Budget information

The original budget for FY 2017-2018 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 entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of the 2017-2018 budget following the Board's approval.

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

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

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

c) Taxes

Current income tax

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (Continued)

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

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

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

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

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

Sales tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable

From the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable

- When receivables and payables are stated with the amount of sales tax included

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity 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 Entity. 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 Entity 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 Entity 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

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

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 Entity 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments

Held-to-maturity

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

Impairment of financial assets

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

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

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 Entity 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories

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

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

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

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 Entity.

j) Provisions

Provisions are recognized when the Entity 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 Entity 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 Entity 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Provisions (Cont...)

Contingent assets

The Entity 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 Entity 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.

5. Nature and purpose of reserves

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

6. Changes in accounting policies and estimates

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

7. Employee benefits

Retirement benefit plans

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

8. Foreign currency transactions

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. 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.

10. Related parties

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

11. Service concession arrangements

The Entity 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 Entity 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 Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

12. 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.

13. Budget information

The original budget for FY 2017-2018 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 entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Board recorded reduced appropriations of Kshs. 415,377,500 on the 2017-2018 budget following the National Treasury's approval.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

s) Budget information (Continued)

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

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

14. Comparative figures

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

15. 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, 2018.

16. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity'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 Entity 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 Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY
(Continued)

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 Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 47.

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. The Management as charged provisions for bad and doubtful debts for the current financial year under review using the Board's credit and debt policy under provisions.

17. EXCHEQUER GRANTS

a. Government Grants	2017-2018	2016-2017
Details	KShs	KShs
Development Allocation	105,861,079	15,588,342
Development Allocation	120,000,000	157,500,000
Development Allocation	72,377,500	98,750,000
Development Allocation	26,000,000	271,965,997
	324,238,579	543,804,339
Transfer to Capital grants	176,138,824	192,792,508
	148,099,755	351,011,831
Recurrent Funds Received-1 st Half Year	27,499,998	16,666,666
Recurrent Funds Received-2 nd Half Year	54,500,002	23,333,330
	82,000,000	39,999,996
Totals Government grants	230,099,755	391,011,827

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. TRANSFERS FROM GOVERNMENT MINISTRY OF WATER AND SANITATION

b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2016-2017 KShs
Ministry of Water and Sanitation	230,099,755	20,000,000	176,138,824	426,238,579	583,804,335
Total	230,099,755	20,000,000	176,138,824	426,238,579	583,804,335

18. DEFERRED INCOME TRANSFER

	2017-2018 KShs	2016-2017 KShs
Transfer to Income:		
Constituency/Priority Projects	42,583,698	49,046,408
KRA Remittances	32,256,829	64,600,000
Water Projects Pans & Dams	633,210	25,301,344
TOTAL	75,473,737	74,347,753

19. OTHER INCOME

	2017-2018 KShs	2016-2017 KShs
Interest Received	5,727,231	1,476,602
Unicef	-	170,500
Tender sales	6,000	43,000
Asset Sales	76,300	767,177
Laboratory Charges	755,252	737,301
TOTAL	6,564,783	3,194,580

This is part of the internally generated revenue that the Board is collecting on other sources of income and finance income.

Lake Victoria South Water Services Board
Annual Reports and Financial Statements For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. WATER LEVIES

	2017-2018	2016-2017
	KShs	KShs
Kiwasco	26,065,873	23,022,048
Kewasco	6,780,997	6,134,833
Guwasco	2,501,937	3,674,933
Sibo	3,262,629	2,303,012
Tiliwasco	483,637	670,542
Mikutra	730,835	1,002,712
Homa Bay County	3,985,422	3,895,931
Bomwasco	2,829,516	2,134,671
TOTAL	46,640,846	42,838,682

These are the income accrued and earned during the year that the Board is collecting from Water Services providers licenced by the Services Provision Agreement.

21. OPERATIONS AND MAINTENANCE EXPENSES

	2017-2018	2016-2017
	KShs	KShs
Project Monitoring & Evaluation	13,356,878	12,746,397
Environmental Impact Assessment	185,000	-
Research & Development		-
Resource Mobilization	263,800	784,600
Project Tender Advertisements and publicity	939,498	2,977,620
Total	14,745,176	16,508,617

22. SUPPLIES AND SERVICES

	2017-2018	2016-2017
	KShs	KShs
Customer & Employee satisfaction , work environment Survey		152,070
Project Planning & Feasibility Studies	7,741,731	6,232,490
Cleaning Services	1,229,539	1,298,612
Legal Services	6,418,394	5,531,154
Security Services	2,283,292	1,701,700
Board's Publicity & Advertisement	3,737,826	3,140,652
Stationery	3,539,409	4,327,604
Telephone & Internet	590,700	544,650
Tender Committee Expenses	69,600	218,200
Computer Equip., networking, s/ware & maint.	2,517,413	3,589,375
Water and waste water quality surveillance	94,690	
Total	28,226,593	26,736,507

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23.ADMINISTRATIVE AND ESTABLISHMENT EXPENSES

	2017-2018	2016-2017
	KShs	KShs
Maintenance of Buildings & Office Compound	1,356,226	2,385,769
ISO Certification Expenses	-	416,900
Corporate Social Responsibility	162,800	865,599
Electricity	709,054	984,100
Periodicals, Newspaper, Library	281,080	700,600
Office Tea & Official Lunch	2,777,429	2,322,063
Postage & Delivery Services	1,191,856	464,085
Audit Fees	1,211,040	3,278,160
Conferences and Shows	2,068,593	547,002
Training & Workshops	5,368,300	4,219,423
Travel & Accommodation & Subsistence	10,140,092	11,361,321
Maintenance of office Equipment & computers	1,432,027	3,589,375
Valuation stock taking & performance Audits of WSPs	6,075	1,531,397
KRA Remittance Withholding tax	9,220,257	64,600,000
Total	35,924,829	97,265,793

24.TRANSPORT COSTS

	2017-2018	2016-2017
	KShs	KShs
Motor Vehicle Fuel	3,121,049	2,442,000
Motor Vehicle maintenance	1,476,456	2,666,054
Total	4,597,506	5,108,054

25.WATER SUPPLIES DEVELOPMENT

	2017-2018	2016-2017
	KShs	KShs
Promotion of Safe & Sustainable Rural Water Supplies		1,363,446
Wash Activities & B/Holes		856,080
Drilling & Equipping of B/holes	399,460	2,660,529
ADB: CBO & SO & LVWATSAN II Activities	8,094,979	3,605,767
Sanitation Facilities Development		3,618,000
Constituency water projects	42,583,698	49,046,408
Water Projects Pans & Dams	633,210	25,301,344
Total	51,711,347	86,451,574

Lake Victoria South Water Services Board
Annual Reports and Financial Statements For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26.EMPLOYEE COSTS

	2017-2018	2016-2017
	KShs	KShs
Basic Salary	60,803,809	59,228,578
House Allowance	16,541,000	16,112,475.87
Commuter Allowance	4,837,967	4,712,630.83
Telephone Allowance	1,175,000	1,144,559.53
Other Allowance and Leave Allowance	2,277,430	1,362,986
Pension and staff Gratuity	10,981,096	10,058,691
Medical Insurance	11,807,000	11,548,013
NITA	32,200	32,600
Staff welfare		1,280,900
	108,455,502	105,481,434

27.REMUNERATION OF DIRECTORS

	2017-2018	2016-2017
	KShs	KShs
Chairman's Honoraria	700,334	756,000
Directors emoluments	22,578,082	22,494,227
Total director emoluments	23,278,416	23,250,227

28.BANK CHARGES

	2017-2018	2016-2017
	KShs	KShs
Bank Charges & Commissions	241,817	122,694
-----LVWATSAN II	6,500	6,600
	248,317	129,294

29.DEPRECIATION, AMORTIZATION EXPENSE AND PROVISION OF BAD/DOUBTFUL DEBTS

	2017-2018	2016-2017
	KShs	KShs
charge for the year- Refer Note 13	84,922,038	116,069,111
Specific provision for Bad Debts Written Off	7,819,446	
General Provision for Bad Debts Written Off	5,307,629	
	98,049,113	116,069,111

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30.ADDITIONAL ASSETS

	2017-2018	2016-2017
	KShs	KShs
Land		
Land Siaya Bondo		4,611,400
Water Supply infrastructure- wip		
Works- Lvwatsan II	155,426,234	261,357,004
Pending Bill-Lvwatsan II	62,669,708	41,964,955
Services- Lvwatsan II		9,324,472
Goods -LVWATSAN II		5,229,557
Goods-WSDP		22,093,744
Works-WSDP	921,143,857	119,554,646
WSDP-Pending Bill	74,656,168	26,415,725
Works- WSBSP Migori		32,500,000
Pending Bill-Small Towns		62,555,693
Works- Small Towns Siaya Bondo		774,827,823
Kisumu LTAP-Pending bill	63,587,296	-
Trilateral	22,677,795	49,778,418
Trilateral -Pending Bill		
Kisumu LVWATSAN	27,100,411	
Kisumu LTAP- foreign		27,536,683
Bunyonyu Dam Water Project	13,627,254	17,466,429
Total WIP	1,340,888,723	1,450,605,149
Total Additions	1,340,888,723	1,455,216,549

Lake Victoria South Water Services Board
Annual Reports and Financial Statements For the year ended June 30, 2018

31. PROPERTY PLAN & EQUIPMENT

	FREHOLD LAND	BUILDING	M/VEH & CYCLES	WATER SUPPLY INFR	PLANT MACHINERY	FURNITURE FI	OFFICE EQUIP	COMPUTERS	COMPUTERS SOFTWARE	WORK IN PROGRESS	TOTAL
		2.5%	25%	2.5%	20%	12.5%	20%	33.3%	20%	0.0%	
RATE											
Asset Cost											
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
1st July, 2015	152,395,827	139,258,800	126,370,080	2,331,051,087		7,374,931	45,114,075	5,605,192		5,117,058,490	7,924,228,482
Transfer				536,384,484	19,333,097	1,616,004	(42,680,673)	2,989,500	22,112,540	(81,013,952)	458,741,000
Additions						316,178	18,195	385,000		2,043,165,600	2,043,884,973
Disposal											
30th June 2016	152,395,827	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	7,079,210,138	10,426,854,455
Transfer											
Additions	4,611,400					-	-			1,450,605,149	1,455,216,549
Disposal											
Subtotal 30/06/17	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
Accumulated Depreciation											
1st July 2016	-	11,592,976	90,205,040	716,858,892	16,786,095	3,912,664	2,855,335	7,803,359	8,327,159	-	858,341,521
Transfer											
Charge for 2016/2017	-	3,481,470	31,592,520	71,685,889	2,547,002	1,163,389	-	1,176,333	4,422,508	-	116,069,111
Disposal											
Subtotal	-	15,074,446	121,797,560	788,544,781	19,333,097	5,076,053	2,855,335	8,979,692	12,749,667	-	974,410,632
Net Book Value											
1st July 2016	152,395,827	127,665,824	36,165,040	2,150,576,678	2,547,001	5,394,450		1,176,333	13,785,381	7,079,210,138	9,568,916,671
30th June 2017	157,007,227	124,184,354	4,572,520	2,078,890,790	-	4,231,060	-	-	9,362,873	8,529,815,287	10,908,064,110
Asset Cost											
1st July, 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
Transfer											
Additions										1,340,888,723	1,340,888,723
Disposal											
30th 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
Accumulated Depreciation											
1st July 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
Transfer											
Charge for 2017/2018	-	3,481,470	4,572,520	71,685,889	-	1,163,389	-	-	4,422,508	-	85,325,776
Disposal											
Subtotal	-	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
Net Book Value											
1st July 2017	157,007,227	124,184,354	4,572,520	2,078,890,790	-	4,231,060		-	9,362,873	8,529,815,287	10,908,064,110
30th June 2018	157,007,227	120,702,884	-	2,007,204,900	-	3,067,671		-	4,940,365	9,870,704,010	12,163,627,057

Lake Victoria South Water Services Board**Annual Reports and Financial Statements For the year ended June 30, 2018****NOTES TO THE FINANCIAL STATEMENTS (Continued)****32. INVENTORY & STORES**

	2017-2018	2016-2017
	KShs	KShs
Computer Consumables	626,860	299,571
Electricals	320,000	-
Other Items	433,000	-
Pipes and Fitting	3,264,086	3,667,320
Stationery	382,431	230,239
TOTAL	5,028,395	4,199,147

33. CASH AND CASH EQUIVALENTS

	2017-2018	2016-2017
	KShs	KShs
CO-OP Revenue 01141295755601	8,958,410.97	4,899,772
CO-OP LVWATSAN2 01141295755600	5,391,893.95	13,802,911
K.C.B - SIDA Danida 1104035197	3,397.50	4,463
K.C.B - KIDDIF Italy 1146676387	20,826,055	208,461
K.C.B - UNICEF Funds 1116821648	167,545	168,610
K.C.B - Pans & Dams 1104036320	40,463	45,158
K.C.B. - Recurrent 1104034395	284,811.58	6,107,360
K.C.B - Development A/c 1104035464	64,509,211	44,213,771
K.C.B - Development A/c 1104035464-FDR	69,082,376	182,148,182
K.C.B. - Recurrent 1211147177	3,999,890	-
K.C.B. - Recurrent 1211147312	3,138,910	-
Cash In Hand	-	-
TOTAL	176,402,974	251,598,688

34. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2017-2018	2016-2017
	KShs	KShs
Kisumu Water And Sewerage Co. Ltd	43,918,307	39,746,437
Kericho Water And Sanitation Co. Ltd	52,953,066	49,572,069
Gusii Water And Sanitation Co. Ltd	20,855,126	19,553,189
Sibo Water And Sanitation Co. Ltd	32,030,247	28,967,617
Tililbei Water And Sanitation Co. Ltd	23,627,897	23,244,259
Mikutra Water And Sanitation Co.	6,602,597	5,871,762
Homa Bay Water And Sanitation Co.	21,174,045	17,188,623
Bomet Water Company	5,845,999	3,216,483
Nyanas Water And Sanitation Co.	4,632,698	4,632,698
Gulf Water Services Co. Ltd	3,186,748	3,186,748
Staff Debtors & Advances	0	186,400
	215,117,085	195,366,286
Provision for Bad and Doubtful Debts	13,127,075	-
Net Receivables from Exchange Transactions	201,699,655	195,366,286

Lake Victoria South Water Services Board
Annual Reports and Financial Statements For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35. PAYABLES FROM EXCHANGE TRANSACTIONS

	2017-2018	2016-2017
	KShs	KShs
Creditors	15,389,499	5,848,865
Accrued staff gratuity	8,292,030	4,811,649
KRA	-	32,256,829
Pans and Dams	28,584,543	64,981,113
Total	52,266,072	107,898,456
Counterpart funding		
KISUMU LTAP PROJECT	69,522,438	55,733,942
LVWATSAN II	67,902,437	41,964,955
SMALL TOWNS	37,130,198	62,555,693
WSBSP	101,976,629	117,429,629
WSDP	28,100,472	
Trilaretal Program		
Kisumu LWATSAN		
TOTAL	304,832,174	277,684,219
Total Payables	357,098,246	385,582,674

36. NON-CURRENT LIABILITIES

	2017-2018	2016-2017
	KShs	KShs
Bal. b/f	4,843,082,266	3,920,719,635
STRWSP		
Jiangxi Water and Hydro		193,610,645
China Jiangxi International		413,125,449
Wapcos		42,250,238
CAS		54,955,500
Bhundia & Associates		22,820,000
WSD		
Ces& MIBP	12,944,605	26,415,725
Nupex Services Ltd		6,476,729
Ranju Enterprises		1,243,866
Generation Enterprises Ltd		6,496,750
Jos Hansen and Soehne Ltd		7,876,400
Oriental Construction Co.	148,283,506	119,554,646
AFD Loan- KISUMU LTAP		27,536,683
China Jiangxi International	737,896,249	
Total	899,124,360	922,362,631
Bal. C/f	5,742,206,626	4,843,082,266

Lake Victoria South Water Services Board

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

37. GOVERNMENT GRANTS TRANSFER

	2017-2018	2016-2017
	KShs	KShs
Government grant as at 1st July 2017	3,431,288,114	3,238,495,606
Rangwe project	2,786,831	9,856,534
Small Towns project	16,518,503	53,479,396
KFW	34,964,102	3,992,729
Trilateral	-	3,086,000
Kisumu Ltap	48,883,109	41,187,327
Bunyonyu Dam	13,627,254	14,310,829
Lvwatsan II project	34,359,025	34,379,693
WSBSP Project- SCC	25,000,000	32,500,000
Retention Current	9,940,465	
Total for the period	186,079,288	192,792,508
Bal. C/f	3,617,367,402	3,431,288,114

38. DONOR GRANTS

	2017-2018	2016-2017
	KShs	KShs
Bal. b/f	1,773,242,840	1,475,437,518
LVWATSAN II	98,094,197	223,533,111
KIDDP	121,067,209	24,424,192
KISUMU LVWATSAN	31,809,487	
Trilateral	22,677,795	46,692,418
Orio -Netherlands Government		3,155,600
Total for the period	196,177,660	297,805,322
Bal. C/f	1,969,420,500	1,773,242,840

39. DEFERRED INCOME TRANSFER

	2017-2018	2016-2017
	KShs	KShs
As at 1 July 2017	1,002,689,314	930,640,524
KIDPP		12,349,221
Ministerial Grant	20,000,000	152,000,000
Total	20,000,000	164,349,221
Less : Transfer to Capital grants, Donor grants		
-Rangwe Water Project	2,786,831	9,856,534
-West Karachuonyo		8,096,143
Less : Transfer to income		
Constituency & Priority Projects	42,583,698	49,046,408
KRA Remittances	32,256,829	64,600,000
Water Projects Pans & Dams	633,210	25,301,344
	78,260,568	92,300,431
As at 30 June 2018	944,428,747	1,002,689,314

Lake Victoria South Water Services Board

Annual Reports and Financial Statements For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

40. REVENUE RESERVE

	2017-2018	2016-2017
	KShs	KShs
Balance as at 30 JUNE 2015		(97,170,077)
Surplus/(deficit) for the period		(13,881,147)
Balance as at 30 JUNE 2016	(111,051,224)	(111,051,224)
Surplus/(deficit) for the period	34,392,230	34,392,230
Balance as at 30 JUNE 2017	(76,658,994)	(76,658,994)
Surplus/(deficit) for the period	(7,106,464)	
Balance as at 30 JUNE 2018	(83,765,458)	

41. FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company 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 entity's financial risk management objectives and policies are detailed below:

(i) Credit risk

The board has no 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.

(ii) Liquidity risk management

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

The table below represents cash flows payable by the company 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.

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Annual Reports and Financial Statements For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Liquidity risk management (Cont...)

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2018				
Trade payables	-	-	84,022,872	482,290,634
Provisions	-	-	13,127,075	13,127,075
Deferred income	-	-	20,000,000	20,000,000
Employee benefit obligation	-	-	8,292,030	8,292,030
Total	-	-	125,441,977	523,709,740
At 30 June 2017	-	-		
Trade payables	-	-	51,874,526	333,708,148
Provisions	-	-	0	-
Deferred income	-	-	0	-
Employee benefit obligation	-	-	0	4,811,649
Total	-	-	51,874,526	338,519,797

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity 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 entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company'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 entity's exposure to market risks or the manner in which it manages and measures the risk.

Lake Victoria South Water Services Board
Annual Reports and Financial Statements For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

41. FINANCIAL RISK MANAGEMENT (Cont...)

Market risk (Cont..)

a) Foreign currency risk

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

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

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2017			
Financial assets(investments, cash, debtors)	166,000,000	-	166,000,000
Liabilities			-
Trade and other payables	363,460,286	-	363,460,286
Borrowings	1,042,265,913	-	1,042,265,913
Net foreign currency asset/(liability)	1,571,726,199	-	1,571,726,199

iv) Capital Risk Management

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

	2017-2018	2016-2017
	Kshs	Kshs
Government Grants	3,617,367,402	3,431,288,114
Donor Grants	1,946,447,488	1,773,242,840
Deferred Income	965,051,916	1,002,689,314
Revenue Reserve	-88,846,610	-76,658,994
Total funds	6,440,020,196	6,130,561,273
Total borrowings	5,742,206,626	4,843,082,266
Less: cash and bank balances	179,557,176	251,598,688
Net debt/(excess cash and cash equivalents)	5,562,649,450	4,591,483,578
Gearing	86%	75%

Lake Victoria South Water Services Board
Annual Reports and Financial Statements For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

42. RELATED PARTY BALANCES

Nature of related party relationships

Entities and other parties related to the Board 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 Lake Victoria South water Services Board, holding 100% of equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

- i) The National Government;
- ii) The Ministry of Water and Sanitation
- iii) Senior management
- iv) Board of directors;

	2018	2017
Transactions with related parties	Kshs	Kshs
a) Grants from the Government		
Grants from National Govt	406,238,579	583,804,335
Total	406,238,579	583,804,335
b) Key management compensation		
Directors' emoluments	23,278,416	23,250,227
Compensation to the CEO	6,572,947	5,258,358
Compensation to Senior management	15,419,274	7,387,475
Total	45,270,637	35,896,060

43. CONTINGENT LIABILITIES

1. Legal Costs.

As a matter of disclosure The Board has some pending court cases whose outcome or cash outflow is not certain at the time of the preparation of the report. However the approximate award costs have been listed in annex 1

Contingent liabilities	2017-2018	2016-2017
	Kshs	Kshs
Court case against the company	437,444,711	437,444,711
Bank guarantees in favour of subsidiary	12,000,000	0
Total	449,444,711	437,444,711

Lake Victoria South Water Services Board

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Counterpart Pending Bills

The Board implements Water infrasture funded through external resources which is partly funded contribution of counterpart funding by the government. Due to insufficient funds the counterpart payments accrue over sometime due to insufficient governmnet grants to fund the projects. The Board have accumulated pending bills over the last year amounting to Kshs.304,832,174 as shown below

COUNTERPART FUNDING	2018(Kshs)	2017(Kshs)
KISUMU LTAP PROJECT	69,522,438	55,733,942
LVWATSAN II	67,902,437	41,964,955
SMALL TOWNS	37,130,198	62,555,693
WSBSP	101,976,629	117,929,629
WSDP	28,100,472	
TOTAL	304,832,174	277,684,219

44.EVENTS AFTER THE REPORTING PERIOD

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

45.ULTIMATE AND HOLDING ENTITY

The entity 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.

46.Currency

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

47. Additional Disclosures

Provisions of Bad debts.

	WSP	Opening Balance	Current Year Levies	Current year Receipts	Closing Balance	Outstanding Levies FY 17/18	25% Yr 1 Bad Debt Provision	Specific Povisions Bad Debts Provision
1	Kiwasco	39,746,437	26,065,872	20,310,329	43,918,307	5,755,544	1,438,886	
2	Kewasco	49,572,069	6,780,997	3,400,000	52,953,066	3,380,997	845,249	
3	Guwasco	19,553,189	2,501,937	1,200,000	20,855,126	1,301,937	325,484	
4	Sibo	28,967,617	3,262,629	200,000	32,030,247	3,062,629	765,657	
5	Tiliwasco	23,244,259	483,637	100,000	23,627,897	383,637	95,909	
6	Mikutra	5,871,762	730,835		6,602,597	730,835	182,709	
7	Homawasco	17,188,623	3,985,422		21,174,045	3,985,422	996,356	
8	Bomwaco	3,216,483	2,829,516	200,000	5,845,999	2,629,516	657,379	
	Tachasis			21,000				
	Nyanas	4,632,698			4,632,698	-	-	4,632,698
	Gulf Water	3,186,748			3,186,748	-	-	3,186,748
	TOTAL	195,179,886	46,640,846	25,431,329	214,826,730	21,230,518	5,307,629	7,819,446

Lake Victoria South Water Services Board

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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Ref/ No.	Issue / Observations from Auditor	Manage ment comme nts	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Inaccuracies in Financial Statements		CFM	Resolved	
2	Project Verification				
	2.1. The construction of Chuboit Water Supply Project Works was awarded to a local company at Kshs. 3,880,367		CTM	Resolved	
	2.2. The contract for construction Okwanyoyo dam in Rarieda valued at Kshs. 3,525,700 was awarded to a local company		CTM	Resolved	
	2.3. Construction of Chebirir Dam at Kshs. 1,058,150 was awarded to a local company		CTM	Resolved	
	2.4. A local company was awarded a contract to construct three (3) water tanks at a contract sum of Kshs. 4,267,768 under Rangwe Water Project		CTM	Resolved	
	2.5. A field visit to Kegati and Kajulu Water Supply revealed the unsatisfactory issues		CTM	Resolved	
3	The receivables from exchange transactions balance of Kshs. 195,366,286 as at 30 June 2017.		CFM	Resolved	
4	No 18 to the financial statements reflects payables from exchange transactions balance of Kshs. 107,898,456 as at 30 June 2017		CFM	Resolved	

Lake Victoria South Water Services Board

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Ref/ No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
5	Unsupported Expenditure Included in the administrative and establishment expenses balances of Kshs. 120,516,021 are payments of Kshs. 701,922 under travelling, accommodation and subsistence which however are not supported with relevant documents such as bus and work tickets and further, the purposes for the safaris reported to have been made have not been disclosed		CFM	Resolved	
6	Unsupported Long Term Loan Balance Included in long term loans balances of Kshs. 4,843,072,266 is a sum of Kshs. 922,362,631 which is not supported with payment schedules.		CFM	Resolved	
7	Non-Submission of Financial Statement for Donor Funder Projects Note 21 to the financial statement reflects expenditure totaling Kshs. 46,692,418 incurred under Trilateral grant, a fund established in August 2017 to foster reduction of poverty, economic growth and conservation of the eco system through a joint partnership with a German organization Frankfurt am Main (KFW) under a financing agreement signed on 28 September 2015 for a sum of EUR 700,000. Although, Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015 required each accounting officer to prepare and submit for audit for each financial year, financial statements for all the donor funds, the Board did not prepare and submit for audit financial	The Financial Statements for financial year 2017-2018 was done and has been audited.	CFM	Resolved	

Lake Victoria South Water Services Board

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Ref/ No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	statements for Trilateral for the year under review.				
8	8.1 Counter-Part Funding f Pending Bills Note 25 to the financial statements reflects counterpart funding pending bills amounting Kshs. 277,684,219 accrued from the Government of Kenya for water projects under Kisumu Long Term Action Plan (LTAP), Lake Victoria Water and Sanitation II (LVWATSAN). Failure to settle pending bills adversely affects funding for subsequent year programmes and activities.		CFM	resolved	
	8.2 Re-Allocation of Funds During the year under review, a total of Kshs. 484,608.55 was charged to the project planning, feasibility study and design vote instead of board of directors and motor vehicle expenses without approval for reallocation		CFM	resolved	



ENG. PETRONILLA A. OGUT, OGW
CHIEF EXECUTIVE OFFICER

Date: 28/9/2018



MRS. CONSOLATA A. ONGUTO
CHAIRPERSON OF THE BOARD

Date: 28/09/2018

Lake Victoria South Water Services Board
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APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the Board funded by development partners are:

Project title	Project Number	Donor	Period/ duration	Donor commitment (Ksh. Million)	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements
						(Yes/No)
Water Sector Development Program (Kericho, Kisii, Nyamira, Litein)	BMZ No.2010 65 861	KFW	4	3,400	No	Yes
Lake Victoria Water and Sanitation Initiative - Phase II (Kericho, Keroka and Isebania)	NUMBER P-KE-E-00-004 (ADF GRANT NO. 2100150019967)	AfDB	3	1,320	Yes	Yes
Kisii Water Storage (Bonyunyu Dam) Project	NUMBER ORIO11/KE/21	Orio		5,254	No	Yes
Kericho- Homa bay Wastewater (Trilateral Program)	BMZ No.2013 65 352	KFW		1,710	No	Yes
Kisumu water supply, LVWATSAN	CKE 1093 02 M	AFD		6,000	Yes	Yes
Homa-bay Water Supply Improvement project		Belgium		1,000	No	No

Lake Victoria South Water Services Board
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Status of the Projects

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Lake Victoria Water and Sanitation project phase II (LVWATSAN II)	1,506,725,531	1,235,514,935	90%	820,000,000	223,533,111	AfD B/G oK
2	Small Towns and Rural Water Supply Project (STRWSP)	2,409,389,132	2,679,538,380	100 %	1,500,000,000	598,057,962	AfD B/G oK
3	KISUMU-Long Term Action Plan(LTAP)	3,582,059,148	3,546,238,556	100 %	500,000,000	370,998,000	AF D/G oK
4	Water and Sanitation Development(WSD	8,284,000,000	757,818,551	43%	1,000,000,000	757,818,551	KF W/ Go K

Lake Victoria South Water Services Board
Annual Reports and Financial Statements For the year ended June 30, 2018

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME: LAKE VICTORIA SOUTH WATER SERVICES BOARD		
Break down of Transfers from the Ministry of Water and Sanitation		
FY 17/18		
a. Recurrent Grants		
Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
9/8/2017	4,583,333	2017-2018
7/9/2017	4,583,333	2017-2018
11/10/2017	4,583,333	2017-2018
6/11/2017	4,583,333	2017-2018
7/12/2017	4,583,333	2017-2018
29/12/2017	4,583,333	2017-2018
2/2/2018	4,583,333	2017-2018
5/3/2018	4,583,333	2017-2018
4/4/2018	4,583,333	2017-2018
4/5/2018	4,583,333	2017-2018
22/06/2018	31,583,337	2017-2018
22/06/2018	4,583,333	2017-2018
Total	82,000,000	
b. Development Grants		
Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
19/10/2017	100,000,000	2017-2018
31/10/2017	5,861,079	2017-2018
9/2/2018	20,000,000	2017-2018
4/4/2018	100,000,000	2017-2018
9/4/2018	47,500,000	2017-2018
3/7/2018	24,877,500	2017-2018
5/7/2018	26,000,000	2017-2018
Total	324,238,579	

The above amounts have been communicated to and reconciled with the Ministry of Water and Sanitation.

Chief Finance Manager
Lake Victoria South Water Services Board
Sanitation

Sign  -----

Head of Accounting Unit
Ministry of Water and

Sign-----