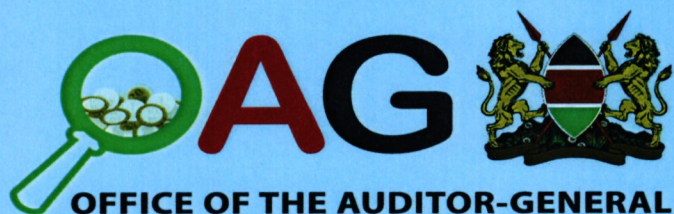


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REPORT

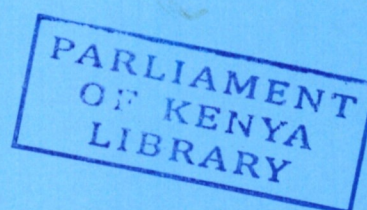
OF

THE AUDITOR-GENERAL

ON

**LAKE VICTORIA SOUTH WATER
WORKS DEVELOPMENT AGENCY**

**FOR THE YEAR ENDED
30 JUNE, 2021**





LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDING 30TH JUNE 2021

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

Lake Victoria South Water Works Development Agency
Annual Report and Financial Statements
For the year ended June 30, 2021.

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Water Act 2016 provided for the establishment of Water Works Development Agencies (WWDA). This was realized through Legal Notice No. 27 of 26th April 2019, which assigned 3rd of May 2019 as the day on which section 152 of the Water Act 2016 in so far as it relates to the WWDAs came into operation. Legal Notice No. 28 of 26th April 2019, led to the establishment of Lake Victoria South Water Works Development Agency (LVSWWDA) to cover a jurisdiction that includes; Bomet, Homa Bay, Kericho, Kisii, Kisumu, Migori, Nyamira and Siaya Counties. The Agency is governed by a board of directors which is responsible for its policy and strategic direction under the overall guidance of the Cabinet Secretary for Water, Sanitation and Irrigation.

(b) Principal Activities

The mission of the entity is "to deliver water and sanitation infrastructure through efficient utilization of resources using appropriate technology and innovations for improved livelihoods and economic growth in the region".

The vision of the Agency is "Sustainable, Safe Water and Sanitation for all"

while the core values are:

- Integrity; the staff are committed to acting in an honest, accountable and transparent manner in all our undertakings.
- Professionalism; the staff are committed to the highest level of competence and pertinent skills in all our endeavours.
- Respect; the staff are committed to providing service with compassion, courtesy and recognize the dignity of each individual person.
- Efficiency; the staff are committed to the achievement of the highest value of benefits from the employment of all resources within the region.
- Teamwork; the staff are committed to consult and pool their efforts in for enhanced service provision.

The **strategic objectives** of the Agency over the period 2019 to 2022 are the following;

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1. Increase water services coverage from 53% to 80% by 2022.
2. Increase sanitation coverage from 17% to 43 % by 2022.
3. Enhance financial strength by realizing annual revenue of Kshs 9 Billion.
4. Strengthen Institutional Capacity by 20% by 2022.
5. Strengthen 8 Number Water Service Providers and respective Water Departments of the 8 County governments by 2022.

(c) Key Management

The LVSWWDA day-to-day management is under the following key organs:

- Board of Directors;
- Chief Executive Officer
- Senior Managers and
- Manager

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

N o.	Designation	Name
1.	Chief Executive Officer	Mr. Chrispine Omondi Juma, HSC
2.	Senior Manager, Water Works Services	Eng. Paul Omondi Agwanda
3.	Senior Manager, Finance, Resource Mobilization & Investment	CPA John Francis Adongo
4.	Senior Manager, Research, Strategy & Performance Management	Ms. Miriam Siwa
5.	Senior Manager Corporate Services	Mr. Daniel Owino Odoyo
6.	Corporation Secretary & Manager Legal Services	Mr. Pamphil Matsekhe Oundo
7.	Manager, Supplies Chain Management	Mr. Martin Ochieng Mayi
8.	Manager Internal Audit	CPA. Grace A. Abuto

(e) Fiduciary Oversight Arrangements

Lake Victoria South Water Works Development Agency has three constituted committees out of which the key fiduciary oversight committees are:

- i. Water and Sanitation Committee
- ii. Governance and Resources Committee
- iii. Risk and Audit Committee

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(f) Headquarters

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

(g) Contacts

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

(h) Bankers

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

ii. Co-operative Bank of Kenya
Kisumu Branch
P.O Box 157-40100
KISUMU

(i) Independent Auditors

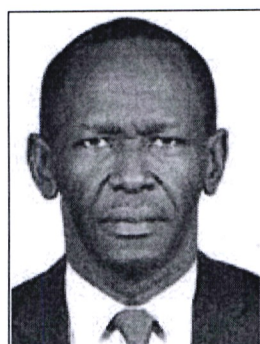
Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(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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2. THE BOARD OF DIRECTORS



Mr. Dan Omino. OGW
(Chairman of the Board)

Date of Birth: Born on 24th December, 1959

Qualification

- PhD Student Kenyatta University
- Masters of Business Administration, Strategic Management (Maastricht)
- Bachelor of Science, Meteorology, University of Nairobi
- Diploma in Performance Management
- Certificate in Corporate Governance from Institute of Directors – Kenya (IoD- K)

Experience

- Lead Consultant, Corplan
- Consultant on Performance Contracting
- Awarded with an OGW by the President.
- Member/facilitator for State Corporation Advisory Committee (SCAC)
- Former Vice Chairman of Council of Maseno University
- Former Member of Council of University of Kabianga.



Dr. Anne Michura
(Director)

Date of Birth: 5th April 1968.

Qualification

- PhD and Master's Degree in Zoology (Entomology)
- Bachelor Degree in Education Science.
- Certificate in Corporate Governance from Institute of Directors – Kenya (IoD- K).

Experience

- Lecturer and Researcher at Chuka University
- Director of Betem Farm Supplies.
- Consultant with Integrated Agro- Services Consultancy, Nakuru.
- Former lecturer in Ayshire, Scotland,
- Researcher and manager at Pyrethrum Board of Kenya.



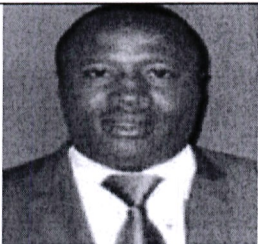
Ms. Rosemary Rop

Date of Birth; 23rd April 1967.

Qualifications

- Master of Arts in Anthropology, University of Nairobi,
- Bachelor of Arts in Anthropology and Political Science
- Post Graduate Diploma in Organizational Leadership
- World Bank certifications on Operational Core Curriculum,

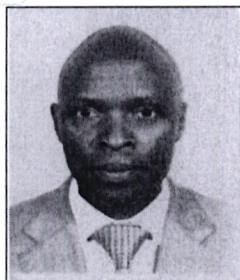
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(Director)	• World Bank Trained Task Team Leader on lending operations • World Bank Trust Fund Accreditation (TFLAP) • Certificate in Water and Electricity Regulation, Institute of Public Private Partnerships. • Certificate in Corporate Governance from Institute of Directors – Kenya (IoD- K) • Leadership training for Managers - June 2002 Dale Carnegie. Experience • Participatory Rural Appraisal Training of Trainers and Participatory Hygiene and Sanitation Transformation (PHAST) Trainer of Trainers. • Lead / Lecturer, Course on Water and Sanitation in Low Income Communities, Milken School of Public Health, George Washington University, • Director, Board of Ernestea Ltd, • Water and Social Development Consultant World Bank • Water and Gender Consultant, Caribbean Development Bank, • Water and Sanitation Specialist World Bank Group, • Program Director NGO, <i>Maji na Ufanisi</i> (Water and Development), • Founding Team Leader, Sustainable Aid in Africa (SANA) International and Kenya Environmental Sanitation • Advisor BKH Consulting Engineers.
 Mr. Victor O Omanwa (Director)	Date of Birth: 1st November 1978. Qualifications • Diploma in Project Management. • Certificate in Corporate Governance from Institute of Directors – Kenya (IoD- K) Experience • Entrepreneur dealing in Supply of Petrol, • Matatu Business and management of real estates • Director Sylvo International Construction Company Ltd.

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 Ms. Joyce K. Mongare	Date of Birth: 25th February, 1968 Qualifications • Master of Arts: Gender & Development Studies. • Bachelor's Degree in Social Sciences, • Higher Diploma in Psychology Counseling • Certificate in Computer Operations. • NEC Member standing committee of programmes: Kenya Red Cross Society. • Certificate in Corporate Governance from Institute of Directors – Kenya (IoD- K). Experience • Former Chairperson KRCS parklands branch, • Lecturer: Gender & development studies Egerton University, • Trainer of Trainers (TOT): Jubilee party • County Coordinator: TNA Nyamira County.
 Mr Alex Ouda Otieno (Director)	Date of Birth: 24th December 1958. Qualifications • Bachelor of Business Administration (procurement and supply chain management), • Diploma in purchasing and supply • Certificate in Purchasing and Supply (CIPS London). • Certificate in Corporate Governance from Institute of Directors – Kenya (IoD- K). Experience • Certified Director. • Former Member of County Assembly (MCA) Nairobi City County. • Former Chairman Water and Sanitation, County Assembly • Former Councilor Nairobi City County, Chairman Finance • Internal Auditor (supply chain and logistic) Kenya Power and Lighting Company, • Stock controller Ministry of Public Works, Chief Mechanical and Transport Engineer.

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Mr. Chrisologus Makokha
(Director representing
Inspectorate of State
Corporation).

Date of Birth: 10th November 1969.

Qualification

- PhD in Strategic Management,
- MBA (Strategic Management)
- Bachelor of Science in Statistics.
- Certificate in Corporate Governance from Institute of Directors – Kenya (IoD- K).

Experience

- Senior Deputy Inspector-General (Corporations).
- Previous Economist/Statistician, in the Ministry of Finance and Planning for 8 years
- Inspector of State Corporations at the Inspectorate of State Corporations and Executive Office of the President for 15 years



Mr. Joseph M. Mbatha
(Director, representing the
Cabinet Secretary
National Treasury).

Date of Birth 29th September 1971.

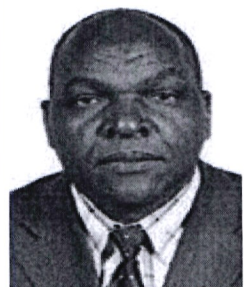
Qualifications

- Master of Business Administration
- Bachelor of Commerce.
- Certificate in Corporate Governance from Institute of Directors – Kenya (IoD- K).
- Strategic Leadership Development Programme(S.L.D.P) No. 58/2012
- Senior Management (S.M.C) No. 171/2010
- Trained in Local Government settings and Management of Kenya Civil Servants from the Chinese Academy of Governance
- Associate member of Kenya Institute of Management No.24519&Public Relations Society of Kenya No. 020-2972.

Experience

- Currently Senior Deputy Director, Intergovernmental Fiscal Relations Department.
- Former Deputy Director, Intergovernmental Fiscal Relations Department,
- Director of Administration, County Government of Machakos,
- Town Clerk, Town Council of Kangudo, Rumuruti, Municipal Council of Homa Bay,
- County Treasurer, County Council of Meru Central, Bungoma, Isiolo and Ministry of Local Government.
- Town Treasurer, Municipal Council of Machakos,

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Mr. Silas Mutia Mnyiri
(Alternate Director to the
Principal Secretary, Ministry
of Water, Sanitation and
Irrigation).

Born on 22nd November 1961.

Qualifications

- Masters of Science Degree in Water and Environmental Resource Management,
- Bachelor of Science in Mathematics, Physics and Chemistry,
- Certificate on Strategic Leadership Development Programme,
- Certificate on Capacity Building for Monitoring Water Quality in African Rivers and Lakes,
- Certificate on Water Footprint and Virtual Water Capacity Building Training.
- Certificate in Corporate Governance from Institute of Directors – Kenya (IoD- K).

Experience

- Deputy Director of Trans-Boundary Water Resources in the Ministry of Water Sanitation and Irrigation.
- Head of the Trans-Boundary Water Quality, Pollution Control, Water Quality Surveillance and the Trans-Boundary Environmental Quality.
- Representative of the Ministry of Water and Sanitation as Trans-Boundary Water Policy Task Force Member in the Nile Basin Initiative.



Mr. Chrispine O. Juma
(Acting Chief Executive
Officer).

Date of Birth 15th March 1964

Qualifications

- Bachelor of Science (B.Sc.) Degree in Geology.
- BSc Honours Degree in Geohydrology
- Certificates in: - Groundwater Resources Management, Environmental Impact Assessment, Project Management, Waste Management for Groundwater Resources Protection
- Certificate Corporate Governance from Institute of Directors – Kenya (IoD- K).

Experience

- Director National Water Resources Ministry of Water, Sanitation and Irrigation.
- Member No.84 (2001) Geologist Registration Board;
- professional member of the Geological Society of Kenya since 1994.
- Member, International Association of Hydrological Sciences (IAHS).

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3. MANAGEMENT TEAM



Mr. Chrispine O. Juma, HSC

Responsibilities & Duties

- Acting Chief Executive Officer.
- Secretary to the Board of Directors
- Authorized and Accounting Officer of the Agency
- Providing strategic leadership to the staff of the Agency;
- Guide in the development and implementation of relevant policies and procedures that gives the Agency positive perception and competitive advantage;
- Being responsible for day-to-day operations of the Agency;
- Manage internal multidisciplinary teams to ensure set objectives are met;
- Facilitate the preparation and implementation of the Agency's strategic and annual work plans;
- Facilitate regular reporting on the status of performance of the Agency;
- Being responsible for the execution and communication of the Board's strategies, decisions and policies;
- Ensuring that the organization has an effective management structure including succession plans;
- Coordinate resource mobilization to enhance realization of the strategic objectives;
- Foster relationship with the relevant Ministries, development partners and other stakeholders for the benefit of the Agency;
- Ensure prudent management of all available resources of the Agency;
- Ensure adherence to relevant national and international conventions and treaties;
- Foster conducive corporate culture that promotes ethical practices and good governance in line with the Constitution of Kenya 2010;
- Coordinate the preparation of the budget and financial reports for consideration and approval by the Board;
- Develop networks and partnerships with development partners and spearhead donor collaboration, fundraising and project development within the Agency's area of jurisdiction;

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	• Ensure compliance with any Government policies and regulatory guidelines and directives; • Serving as the link between the Board and the Management and other stakeholders; • Being responsible for stakeholder management and the enhancement of the corporate image of the organization. Qualifications and Experience: • Director National Water Resources at the Ministry of Water, Sanitation and Irrigation. • Holdover 34 years of experience as a Hydrogeologist and Water Resources Management • Holds Master of Science (M.Sc.) Degree, • Bachelor of Science (B.Sc.) Degree in Geology from the University of Nairobi, • BSc Honours Degree in Geohydrology from the Institute of Groundwater Studies, University of the Orange Free State - South Africa. • Certificates in: Groundwater Resources Management, Environmental Impact Assessment, Project Management and Waste Management for Groundwater Resources Protection from the Center for Science and Industrial Research (CSIR), Stellenbosch, South Africa. • Trained in preparation of Hydrogeological Map of Africa from SEAMIC Center in Dar-es-Salaam. • Registered Member of the Geologist Registration Board, • professional member of the Geological Society of Kenya and a Member of the International Association of Hydrological Sciences (IAHS)
	Responsibilities and Duties • He is the Senior Manager, Water Works Services. • Coordinating all technical aspects related to Planning, design and implementation of Water and Sanitation services. • Ensuring design, construction and maintenance standards are adhered to and maintained. • Coordination of strategic and business plan for development of Infrastructure.

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Eng. Paul Omondi Agwanda	• Design and development of appropriate and cost effective models for water appropriation, storage purification and distribution. • Development of strategies to reduce unaccounted for water (UFW), to achieve desired operational efficiency and improvement • Promoting, developing and contracting sustainable and viable water service providers in urban and rural schemes. • Ensure effective supervision and monitoring of urban and rural water service providers • Preparing, executing and enforcing compliance to water and sanitation service agreements. • Preparation of the statutory and other reports required by Government or development partners. Qualifications and Experience: • Holds over 18 years' experience as a Civil Engineer. • Masters of Science Engineering in Water Resources Management from Sungkyunkwan University, South Korea, • Bachelors in Technology in Civil and Structural Engineering from Moi University • Pursuing a Master's degree in Project Planning and Management from University of Nairobi. • Registered Engineer with the Engineers Registration Board of Kenya, • Associate Expert with National Environment Management Authority; ESIA and • Associate Member Chartered Institute of Arbitrators, UK & Kenya
 Mr. Daniel Owino Odoyo	Responsibilities and Duties • He is Senior Manager, Corporate Services. • Coordinate Human Resource and Administration, Information Communication Technology and Corporate Communications activities; • Formulate appropriate policies, rules and regulations for effective performance of the divisions; • Coordinating matters of the organization structures, appointments, performance appraisal and leave roster administration; ensuring alignment with the overall Strategic Plan of the Agency; • Designing and reviewing the basic administrative

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structure of the Organization, direction and control with a view to designing and developing Human Resource planning and development programs;

- Initiate the development of policies, plans and strategies in the functional areas of HR and Administration, Information Communications Technology and Corporate Technology services;
- Foster a culture that promotes team capability and reflects the values which facilitate performance, professionalism and innovation by staff throughout the Agency;
- Overall accountability for planning, directing and executing all human resources, Administration, Information Communication Technology and, Corporate Communications strategies, policies and plans;
- Ensure effective implementation and compliance with all legislative requirements relating to corporate services;
- Coordinate the Agency's Management Information Systems and security;
- Coordinate technology infrastructure in line with the Agency's goals and changing technologies;
- Provide technical, strategic and policy advice on ICT matters and implementation of various ICT work processes, procedures and other administrative related matters.

Qualifications and Experience:

- He holds over 20 years of work experience in Corporate Communications.
- Master's Degree in Media, Communication and Public Relations from Leicester University, UK,
- Masters in Linguistics from Maseno University,
- Postgraduate Diploma in Human Resources Management from University of Nairobi,
- Postgraduate Diploma in Public Relations from Kenyatta University and
- Bachelors of Education – Arts from Kenyatta University.
- Strategic Leadership Development Programme (SLDP) and Senior Management Course (SMC) both from Kenya School of Government

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CPA John Francis Adongo

Responsibilities and Duties

- He is the Senior Manager, Finance, Resource Mobilization and Investment.
- Oversight role to the Board on financial affairs and advise on financial planning strategies and policies;
- Coordinate the consolidated Agency's budget and continuously monitor and evaluate its implementation;
- Ensure effective and efficient management of the Agency's resources including Finances and Assets;
- Ensure the provision of meaningful, accurate and prompt management accounts and reports to the CEO and the relevant Board Committee;
- Negotiate with banks and donors for appropriate support;
- Provide oversight for effective records management operations;
- Participate in the development and review of the Institution's strategic plan;
- Ensuring compliance with labor laws, public, Public Financial Management Act, IPSAS and ISO Standards;
- Networking with development partners;
- Carry out donor mapping and identify resource partners;
- Developing bankable project concept notes and proposals;
- Developing concept papers for resource mobilization;
- Reviewing the Agency business plans in line with the overall strategic objectives and government performance contract;
- Overseeing operations of Finance & Accounting and Resource Mobilization divisions.

Qualifications and Experience:

- Holds over 16 years of experience.
- Bachelor of Commerce (Finance Option) from the Catholic University of Eastern Africa.
- CPA K, CPS K, Accounting Technician certificate (ATC I & II)

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Ms. Miriam C. Siwa

Responsibilities and Duties

- She is the Senior Manager, Research, Strategy and Performance Management.
- Responsible for formulation of policies, strategies, procedures and systems for identifying alternative sources of revenue in the Agency's;
- Coordinate review of potential business proposals and making recommendations for investment;
- Coordinate economic studies as part of the road design and tender documentation process;
- Coordinate the development of the Agency's Strategic Plan and monitor its implementation.
- Coordinate the preparation and implementation of the Agency's annual GOK performance contract.
- Monitor and evaluate the Agency's performance.
- Coordinate the preparation and implementation of the Agency's quality management system through quality assurance programs.
- Coordinate the development and formulation of policies, strategies and programs;
- Coordinate identification and mitigation of risk and business continuity management in the Agency.
- Coordinate the implementation of business process re-engineering initiatives.
- Initiate development of policies, strategies and guidelines for carrying out research
- Coordinate research activities on relevant thematic areas
- Translate research findings to policy briefs to inform improvement of services
- Coordinate environmental, health and safety, social, resettlement, valuation and acquisition of assets for the works.
- Prepare Terms of Reference for Economic Surveys and facilitating implementation of related recommendations;
- Establish and maintain linkages with Consultants and other Stakeholders on economic matters;
- Coordinate the preparation of annual work plans for the Agency's and realigning it to the budget;
- Coordinate economic analysis of investments, programs and projects;

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	Qualifications and Experience: • Holds over 28 years of work experience. • Pursuing PhD in Entrepreneurship at the Jomo Kenyatta University of Science and Technology. • Master's degree in Entrepreneurship from Jomo Kenyatta University of Science and Technology, • Bachelor of Education (Economics & Business) from the University of Nairobi; • Post Graduate Diploma in Planning and Management of Development Projects from Catholic University of Eastern Africa, • Postgraduate Diploma in Human Resources Management from the Institute of Human Resources Management, • Diploma in Management from the Institute of Leadership and Management – London. • Professional member of the Kenya Institute of Management, Evaluation Society of Kenya, Professional Trainers Association of Kenya and Institute of Human Resources Management
 Pamphil Matsekhe Oundo	Responsibilities and Duties • He is the Corporation Secretary and Manager Legal Services. • Provide guidance to the Board on their duties and responsibilities and on matters of governance. • Assist the Board in carrying out; Board induction and training, Updating the Board and Committee charters, Preparation of Board work plans, Board evaluation, Governance audit, Implementation of the Code of Conduct and Ethics. • Ensure the timely preparation and circulation of Board and Committee papers. • Take and keep committee minutes. • Maintain and update the register of conflicts of interest. • Ensure that Board members are aware of all relevant laws affecting the organization. • Facilitate effective communication between the organization and the stakeholders. • Ensure that annual returns are promptly filed with the relevant authorities.

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	• Except in exceptional circumstances, ensure that Board and Committee papers are circulated in advance of any meeting. • Coordinate litigations for the Board. • Provide guidance on governance and adherence to statutory obligations. • Prepare and ensure appropriate execution of all contracts. • Negotiate land acquisitions on behalf of the Board. • Ensure registration of various legal instruments in favour of the Board. • Be the custodian of all contracts and ownership documents. • Advising on the fixing of common seal outside registration. • Provide legal guidance on contractual and statutory obligations binding to the Organization and legal duties for the Board Qualifications and Experience: • Holds over 10 years work experience. • Pursuing Master of Laws degree at the University of Nairobi. • Bachelors of Laws (LL. B) from Moi University, • Diploma in Law (Dip- KSL) from the Kenya School of Law and • Pursuing a course on Certified Public Secretary.
 Martin Ochieng' Mayi	Responsibilities and Duties • He is the Manager, Supply Chain Management • Developing and coordinating the preparation of annual procurement and disposal plans and their implementation; • Coordinating procurement and disposal activities in the Agency; • Preparing contract documents for goods, works and services; • Custodian of contract documents; • Liaising with the user department to ensure effective implementation of contracts for goods, works and services;

Lake Victoria South Water Works Development Agency
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	• Providing secretariat to committees' incidental to procurement of goods and services, and disposal of assets; • Coordinating disposal of assets activities; • Providing professional advice on procurement of goods, works and services and disposal of assets; • Preparing statutory reports to PPRA; and • Reviewing procurement needs of the Commission. Qualifications and Experience: • Has over 29 years of experience in Procurement and Supply Chain Management. • MBA supply Chain Management Maseno University • Bachelor of Arts - Degree from Egerton University. • Chartered Institute of Purchasing & Supply Management, UK, • Postgraduate Diploma in Purchasing and Supply Management (PIPS-UK) • Professional Course in Supplies Management PCISM (Foundation Stage) from the Kenya School of Government. • Registered with a Supplies Practitioner's Certificate, Member of Kenya Institute of Supplies Management (MKISM) and Chartered Institute of Supplies Management, UK (MCIPS)
 CPA. Grace Adhiambo Abuto	Responsibilities and Duties • She is the Manager, Internal Audits. • Provide secretariat to the Board Audit Committee; • Formulate and coordinate the implementation of internal audit policies, strategies and plans; • Compile and issue internal audit reports; • Conduct special audits and investigations; • Set up and implement systems in accordance with auditing standards; • Test the efficacy of the risk assessment systems; • Monitor and report on the Agency overall risk profile; • Support various directorates/departments in risk profiling; • Review for correctness and accuracy of accounting reports;

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- | | |
|--|---|
| | <ul style="list-style-type: none">• Provision of independent assurance on risk management process on both design and operation; and• Assurance of risk control effectiveness, efficiency and adequate and risk management processes. |
|--|---|

Qualifications and Experience:

- | | |
|--|--|
| | <ul style="list-style-type: none">• Has over 20 years of work experience.• Bachelor of Commerce (Finance Option) from Catholic University of Eastern Africa,• Certified Public Secretaries (CPS(K)), Certified Public Accountants (CPA(K).• Member of the Institute of Certified Public Accountant of Kenya (ICPAK),• Institute of Certified Public Secretaries (ISC) and Institute of Internal Auditors (IIA) |
|--|--|

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For the year ended June 30, 2021.

4. CHAIRMAN'S STATEMENT

I am pleased to present Lake Victoria South Water Works Development Agency's Financial Report for the year ended 30th June 2021. Lake Victoria South Water Works Development Agency (LVSWWDA) is among the 9 Water Works Development Agencies established under the Water Act 2016. The Agency is responsible for development of water and sewerage infrastructure within our area of jurisdiction which covers Kisumu, Siaya, Migori, Homa Bay, Bomet, Kericho, Nyamira, Kisii and parts of Nandi and Narok Counties; approximately 21,720 Sq. Km2.

LVSWWDA has set its targets on accelerating access to water so as to conform to the demands and provisions of the Sustainable Development Goals (SDGs), Kenya's Vision 2030 and the country's Big Four Agenda. The Water coverage in the Agency's area of jurisdiction currently stands at approximately 58% and the Agency intends to increase the average water coverage to 80% in the next five years.

The Agency's strategic focus is on ensuring continued growth, sustainability, efficiency and above all value for money for the investment towards increased access to water and sanitation services by application of right technology, research, innovation, leadership and governance.

During the 2020/2021 financial year, we continued to implement a number of water and sanitation infrastructure comprising of development of new water sources to increase production, development of water transmission infrastructure, water treatment plants and distribution networks all over our coverage area. On sanitation, we undertook rehabilitation and expansion of our sewerage infrastructure, construction of reticulation sewers and household connections. In enhancing increased sanitation coverage, special attention continues to be given to our informal settlements where coverage is particularly low against high population intensity.

In the period under review, the Agency experienced unprecedented focus from the top leadership of the country on its infrastructure investment programmes. I am happy to note that the Agency was the first Water Works Development Agency in the Country to host The President of the Republic of Kenya His Excellency Hon. Uhuru Kenyatta, when he presided over the commissioning of the Siaya Bondo Water Supply project in Siaya County in the company of the former Prime Minister Rt. Hon. Raila Odinga. We also had The Ministry of Water, Sanitation and Irrigation Cabinet Secretary Sicily K. Kariuki (Mrs.), EGH inspect a number of projects within the Agency including the Kisii-Nyamira Water Supply and Sanitation Projects. The Principal Secretary Mr. Joseph W. Irungu also inspected the Homa Bay Cluster, Kendu Bay and Oyugis Water Supply projects in Homa Bay County. The PS also commissioned Kuoyo Kotieno and Rodi Primary School Water Supply Projects in Homa Bay County. This close collaboration and partnership has ensured timely delivery of our projects.

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These visits from high profile dignitaries is a manifestation of the confidence on the leadership and governance structures at the Agency.

We attribute these achievements to the financial and technical support from the Government of the Republic of Kenya through the Ministry of Water, Sanitation and Irrigation and our many development partners which include AFD, AfDB, KFW, WSTF, KOICA, Kenya Italy (KIDDP), ORIO and World-Bank. We owe our development partners and the Government of Kenya extreme gratitude for their continued support. I am confident that in the coming years we will continue to strengthen our collaborations with our various stakeholders and development partners for increased 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 Works Development Agency to move forward in the right direction; the Management and the entire staff for their dedication and hard work without which this exemplary performance might not have been achieved. I also wish to acknowledge the significant contributions we received from all our stakeholders which led to implementation of our activities successfully during the financial year. I call upon the stakeholders to uphold their support to facilitate expansion of access to adequate, quality and affordable water and sanitation services within our area of service.



MR. DAN OMINO, OGW
CHAIRMAN

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5. 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. 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, Sanitation and Irrigation, and development partners (ADB, KFW, AFD, EIB, RVO, among others) a successful year was realized. Key achievements during the year include completion of rehabilitation of water supply systems in the four towns of Kisii, Nyamira, Sotik and Kericho under the Water Sector Development Program resulting to an increase in the water supply coverage in Kisii and Nyamira Counties; 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 under review, the National Government provided budgetary allocation to support drilling and equipping of several boreholes and construction of small water supplies and water for Schools' program. Although the budgetary allocation slowed down in the second half of the year, the Agency has engaged with our service providers who implemented the projects despite lack of payment, and this has greatly improved service provision by providing potable water.

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

The financial statements for the year ending 30th June 2021 highlights the Agency's continued growth in operations and financial performance. The financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and in the manner required by the Public Finance Management Act which requires management to make judgements, estimates and assumptions that affect the application of

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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 Agency has set a stronger foundation for its current and future development. The Agency implemented the Performance Contract and was rated as very good performance during the year, ranking 2nd among water and irrigation sector institutions.

During the year under review, the Agency undertook Corporate Social Responsibility activities which include supplying some schools with water storage tanks to harvest rain water, with a focus of fighting COVID-19 that threatened to slow our operations. The Agency 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 Agency 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 all stakeholders in our service delivery.

I feel incredibly proud of Lake Victoria South Water Works Development Agency and take pride in our achievements. I am particularly impressed by the Agency's leadership headed by the Chairman of the Board who continues to provide guidance, 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 our parent Ministry of Water, Sanitation and Irrigation, the National Treasury, Development Partners, water sector institutions, water service providers, County Governments in our region and other stakeholders for their immense support, without which we could not have made these achievements.



MR. CHRISPINE O. JUMA, HSC
Ag. CHIEF EXECUTIVE OFFICER

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6. STATEMENT OF THE AGENCY'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

Lake Victoria South Water Works Development Agency (LVSWWDA) has 5No. Strategic pillars and objectives within its Strategic Plan for the FY 2018/2019-2022/2023. These strategic pillars are as follows:

Pillar 1: Water works development

Pillar 2: Sanitation works development

Pillar 3: Resource Mobilization

Pillar 4: Institutional capacity

Pillar 5: Technical assistance and capacity building

Lake Victoria South Water Works Development Agency develops its annual work plans based on the above five pillars. Assessment of the Agency's performance against its annual work plan is done on a quarterly basis. The Agency achieved its performance targets set for the FY 2019/2020 period for its strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Water works development	Increase water services coverage from 53% to 80% by 2022.	No.	Develop and expand water supply production and distribution networks in 8no. Counties.	Developed and expanded the following water projects: - Kisii -Nyamira Water Supply Project 95% - Homa Bay Water Supply Improvement project implemented to 40% progress - Kisumu Water supply LVWATSAN project implemented to 20% progress - Water Sector Development Program (Kericho) to 65% progress - Kendu Bay-Oyugis Water Supply and Sanitation Project to 20% progress

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				- Ugunja Segu-Ukwala Water Supply and Sanitation Project to 20% progress
			Rehabilitate/augment/repair existing water supply schemes in each of the 8no. Counties to improve access to water supply.	- Implemented Siaya-Bondo, Keroka Town, Migori and Isebania Town last miles connection project (ADB) which is now at - Implemented Water Sector Development Program (Kisii Rehabilitation works)
			Develop and augment water supply infrastructure in learning institutions in each of the 8 counties.	Developed 11No. boreholes in learning institutions namely: - Raduodi Primary school - Riamosorori Youth Group - Nyankono Pri. School - Kiromwok Secondary school - Pedo Primary - Moi Gesusu High School - Kapkisiara Girls High school - St Elizabeth Ulaga School - Ngege Primary School - Mur Malanga Primary School - Mbani Primary School
Pillar 2: Sanitation works development	Increase sanitation coverage from 17% to 43% by 2022.	No.	Rehabilitate/Repair, augment and develop new sanitation systems to improve access to sanitation in each of the counties.	- Expanded Suneka treatment plant under water sector development - Expanded Kericho waste water treatment

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				plant in under LVWATSAN Phase II
			Promote School WASH Programs	- Built 5No. ablution blocks in learning institutions in Kisii - Built 4No. ablution blocks in learning institutions in Nyamira under water sector development
Pillar 3: Resource Mobilization	Enhance financial strength by realizing annual revenue of Kshs. 9 Billion.	No.	Develop proposals and concept Papers	- Developed 5No concept notes for project funding
			Develop, implement and review a debt recovery and loan repayment plan	- Formed a committee on debt and loan recovery - Payment plan signed by the water service providers on loan repayment
Pillar 4: Institutional capacity	Strengthen Institutional Capacity by 20% by 2022.	No.	Enhance Corporate Image	- Branded projects - Rebranded office - Improved and created an interactive website - Reviewed service charter
			Enhance Human Capacity	- Trained 20No staff in different field of their profession - Developed individual performance contracts for the staff and signed
			Enhance Level of Legitimacy	- Developed Strategic Plan 2019-2022 - Prepared, signed and implemented annual GOK performance contracts

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Pillar 5: Technical assistance and capacity building	Strengthen 8 Number Water Service Providers and respective Water Departments of the 8 County governments by 2022.	No.	Support WSPs and Water Departments of CGs	- Provided performance enhancement tools and equipment to WSPs offered capacity training and technical assistance to 7No. Water Service Providers
			Promote Innovations and Appropriate Technologies in Water Supply and Sanitation	- Promoted the use of alternative sources of energy such as solar in borehole projects - Supplied Homa Bay water company with smart-meters for water management

7. CORPORATE GOVERNANCE STATEMENT

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

The Role of the Board of Directors

The Board of Directors provides leadership through oversight, review and guidance whilst setting the strategic direction for the organization. It is the primary decision-making body for all matters considered as material to the Agency. 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 Agency's performance, compliance functions as well as monitoring of its operations and ensuring competent management of the business.

Composition of the Board of Directors

The Board of Directors comprised of nine (9) members; the Chairman who is a non-executive director, and five non-executive directors and three directors from government representing the Principal Secretary for Ministry of Water, Sanitation and Irrigation, Inspectorate of State Corporations and National Treasury and Planning. 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 Water Act, 2016, State Corporations Act Cap 446, the Office of the President and the Ministry of Water Sanitation and Irrigation.

Induction and on-going development

On appointment, the directors receive induction training covering the organization's programme 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: -

- i. Water and Sanitation Committee
- ii. Governance and Resource Mobilization Committee
- iii. Audit and Risk Assurance Committee

Meetings of the Board

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

Organization Structure

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

Management Team

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

8. MANAGEMENT DISCUSSION AND ANALYSIS

Operational and Financial Performance

The Agency continued to execute its mandate of providing water sewerage and sanitation infrastructure through various programmes including Kenya Towns programme through Agency arrangements with Rift Valley Water Works Development Agency. Other programmes like Water Sector Development Program, water harvesting program, water for schools, water conservation and cross county projects. On completion 5% approximately 400,000 people will be brought under water coverage and 0.3% coverage sanitation.

Key projects or investments decision

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

- Water and Sanitation Sector Development Programs in Kericho, Kisii, Nyamira and Litein Towns financed by KFW and GoK for expansion works of water supply and sanitation infrastructure. During the year Kisii and Nyamira works were complete and handing over certificate issued. The program will benefit 661,011 people.
- The Agency is implementing several Water boreholes were drilled and equipping which are on-going under Water Harvesting Program.
- Kisumu LVWATSAN Project commenced with all the Consultancies procured and on progress. The works packages have started with the procurement process and it will be commencing works during the next year.
- Homa Bay Cluster Water Supply Improvement Project progressed with drilling of 2 boreholes and preparation of detailed design.
- Kenya Towns Water Supply and Sanitation Sustainable water supply project.
- Trilateral development Program for HomaBay - Kericho Towns.
- The Board implemented several projects under new programmes financed by GOK under Water for Schools and Small Dams and Boreholes and Drought Mitigation Program.

Entity's compliance with statutory requirements,

The Agency complied with all legal provisions of the Acts which affects its operations for example the provisions of Public Finance Management Act, 2012, State Corporations Act, Tax laws among others. Court cases, Environmental and Social Impact Assessment reports are complied with while all contractors are NCA registered. PAYE, NHIF, NSSF are up to date in terms of remittance and compliance.

Major risks facing the organisation,

The Agency is faced with the following risks;

1. Delay in approval of tax exemption certificates and the master lists which affects project completion period.

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2. Pending bills due to limited budgetary allocations which affects the leverage level of the institution.
3. Unpredictable exchequer releases which creates credit risk.
4. Inadequate funding of recurrent grants.
5. Inability to repay on lent loans due to lack of legal structure to enforce collection from the water service providers.

Material arrears in statutory and other financial obligations.

During the year under review, the Agency ensured that all the statutory deductions did not accrue to arrears. This is a financial obligation that was experienced due to limited counterpart budget allocation which were not enough to pay counterpart payments on Donor projects that the Agency was implementing during the period review.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Lake Victoria South Water Works Development Agency exist to exists to transform lives by ensuring the provision of sufficient, hygienic, economically viable and affordable Water and Sanitation Services for the population within the area of its jurisdiction, thus contributing to the overall development goal of improving the health of the urban and rural population by reducing waterborne diseases and favouring economic development. Other main purpose was to support enhancement of water supply and sanitation service delivery and sustainability through improved commercialization, pro-poor orientation and clustering of schemes. Below is a brief highlight of our achievements in each pillar.

i) Sustainability strategy and profile

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

ii) Environmental performance

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

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incorporated in all the projects. The Agency has an environmentalist who is a Project Implementation Team member for all the projects.

iii) Employee welfare

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

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

Under the career development, LVSWWDA has a comprehensive career progression document that outlines employee succession plans including requirements for internal promotions and the external engagements where employees may be required within its establishment. This is an instrument that contains job descriptions for each cadre of employee. Together with the annual departmental workplans and the Government's performance contract, it enables employees set their targets and eventually evaluated through annual appraisals. The evaluation enables employees of the Agency, to be upskilled, helped or otherwise redeployed and upscaled.

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

iv) Market place practices-

The Agency ensures incorporation of competitive market practices through, encouraging competitive bidding by Placing advertisements for

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all tenders in our local dailies, our website and The Govt. of Kenya Treasury portal. This enables all prospective bidders to access the information and to participate. At the close of all tenders, representatives who choose to attend are invited to witness the opening of the tenders to ensure transparency in the bidding process. All the participants are informed of the outcome of the procurement process.

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

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

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10. REPORT OF THE DIRECTOR

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021, which show the state of the Agency's affairs.

i) Principal activities

The principal activities of the entity are;

- i). Undertake the development, maintenance, and management of national public water works within our area of jurisdiction,
- ii). Own and manage water related assets developed through loans and handover to county authorities after repayments of development loans,
- iii). Collaboration with all stakeholders both within and outside water sector to mobilize finances and provide related social infrastructure,
- iv). Provide technical assistance and capacity building to county governments, water service providers and other institutions,
- v). Provide the Cabinet secretary in charge of water with technical assistance in the discharge of his/her functions.
- vi). Provide reserve capacity for purposes of providing water services where need arises.

ii) Results

The results of the entity for the year ended June 30, 2021, are set out on page 1 to 6

iii) Directors

The members of the Board of Directors who served during the year are shown on page vi. During the year 2020/2021 no Director resigned and there was no appointment.

iv) Auditors

Auditors

The Auditor General is responsible for the statutory audit of the Agency in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the Agency for the year/period ended June 30, 2021 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Name: PAMPIL MATSEKHE OUNDO


Signature

Date

Corporate Secretary/Secretary to the Board

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statement, which give a true and fair view of the state of affairs of the Agency at the end of the financial year ending 30th June 2021 and the operating results of the Agency for the period. The Directors are also required to ensure that the Agency keeps proper accounting records which disclose with reasonable accuracy the financial position of the Agency. The Directors are also responsible for safeguarding the assets of the Agency.

The Directors are responsible for the preparation and presentation of the Agency's financial statements, which give a true and fair view of the state of affairs of the Agency for and as at the end of the financial year ended on June 30, 2021. This responsibility includes:

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

The Directors accept responsibility for the Agency's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector

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Accounting Standards (IPSAS) accrual basis, and in the manner required by the PFM Act, 2012 and section 14 of the State Corporations Act. The Directors are of the opinion that the Agency's financial statements give a true and fair view of the state of Agency's transactions during the financial year ended June 30, 2021, and of the Agency's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the Agency, which have been relied upon in the preparation of the Agency's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Agency's financial statements were approved by the Board on **20th** day of September 2021 and signed on its behalf by:



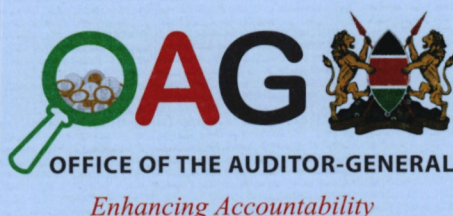
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MR. CHRISPINE O. JUMA, HSC
Ag. CHIEF EXECUTIVE OFFICER



.....
MR. DAN OMINO, OGW
CHAIRMAN

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Lake Victoria South Water Works Development Agency set out on pages 1 to 48, which comprise of the statement of financial position as at 30 June, 2021, statement of financial performance, statement

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of the Lake Victoria South Water Works Development Agency as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Water Act, 2016.

Basis for Qualified Opinion

The following balances reflected in the financial statements were not supported with sufficient appropriate records:

1. Transfers from Other Government Entities

The statement of financial performance reflects transfers from other Government entities totalling Kshs.869,577,704 as further disclosed in Note 6 to the financial statements. However, the ledger reflects Kshs.886,559,996 in respect to the account resulting to an unreconciled variance of Kshs.16,982,292. Although, Management explained that the variance resulted from overstatement of the account's balance in one Journal Voucher (JV), the JV did not indicate the corresponding account affected by the adjustment.

In view of the anomaly, the accuracy and validity of the transfers from other Government entities balance totalling Kshs.869,577,704 could not be confirmed.

2. Other Income

The statement of financial performance reflects other income totalling Kshs.12,993,000 which, as disclosed in Note 11 to the financial statements, includes agency fees totalling Kshs.12,990,000. However, the supporting ledger reflects Kshs.3,000 in respect to the account resulting to an unexplained variance of Kshs.12,987,000.

In the circumstance, the accuracy and validity of other income totalling Kshs.12,993,000 could not be confirmed.

3. Gain on Sale of Assets

The statement of financial performance reflects gain on sale of assets totalling Kshs.1,475,900, further disclosed in Note 20 to the financial statements as 'other assets not capitalised'. However, in Note 24 to the financial statements - property, plant, and equipment assets movement schedule - does not reflect any disposals. Further, the disposal proceeds have not been included in the statement of cash flows. Although Management explained that the disposed assets were fully depreciated and were removed from the assets register in the previous financial year, no explanation was

provided for their removal before they were disposal. In addition, the schedule of disposed assets was not provided for audit review.

In view of the anomalies, the accuracy of gain on sale of assets balance totalling Kshs.1,475,900 could not be confirmed.

4. Depreciation and Amortization

The statement of financial performance reflects a depreciation and amortization balance totalling Kshs.78,291,884, as further disclosed in Note 15 to the financial statements. However, the ledger reflects Kshs.87,849,221 in respect to the account for the year under review. Management explained the variance of Kshs.9,557,337 between the two sets of records as having resulted from overstatement of depreciation after fully depreciated assets were erroneously subjected to a depreciation charge. However, no supporting documents were provided on the said fully depreciated assets. Further, the Agency depreciated the assets using the reducing balance method instead of the Agency's straight-line method policy disclosed in Note (A) of the summary of significant accounting policies.

In the circumstances, the accuracy of depreciation and amortization charge totalling Kshs.78,291,884 could not be confirmed.

5. Use of Goods and Services

The statement of financial performance reflects use of goods and service expenditure totalling Kshs.57,059,929, as further disclosed in Note 12 to the financial statements. The balance includes Kshs.6,650,100 spent on Corporate Social Responsibility. However, the following anomalies were noted in relation to the expenditure:

- i. A payment of Kshs.3,000,000 on tree planting reported to have been funded by a donor was not supported with documentary evidence.
- ii. A sum of Kshs.3,000,000 was paid to a member of staff in lieu of imprest through four (4) cheques all dated 11 February, 2021. However, the payments were made contrary to Regulation 91(1) of the Public Finance Management (National Government) Regulations, 2015 which requires officers who have to make payments which cannot conveniently be made through the cash office of a Government entity or bank account be issued with imprests not cash handouts.
- iii. Management used Direct Procurement Method to procure social responsibility goods and services instead of competitive bidding contrary to Section 105(a) of the Public Procurement and Asset Disposal Act, 2015.
- iv. Total expenditure on Corporate Social Responsibility was Kshs.6,650,100 but, Management only provided records on Kshs.3,000,000 and therefore Kshs.3,650,100 was not accounted for.

In the circumstances, the propriety, accuracy and completeness of the expenditure on Corporate Social Responsibility totalling Kshs.6,650,100 included in the goods and services balances totalling Kshs.57,059,929 could not be confirmed.

6. Current Portion of Receivables from Exchange Transactions

The statement of financial position reflects current portion from exchange transactions totalling Kshs.188,123,524 whereas the ledger reflects Kshs.197,539,225 resulting to a variance of Kshs.9,415,701. Journal vouchers prepared to explain the variances were not provided for audit and as a result, the reasons for the variance were not explained.

In the circumstances, the accuracy of the current portion of receivables from exchange transactions of Kshs.188,123,524 could not be confirmed.

7. Property, Plant and Equipment

The statement of financial position reflects property, plant, and equipment balance totalling Kshs.17,524,149,867, as disclosed in Note 24 to the financial statements. The balance includes work in progress totalling Kshs.15,455,793,168. However, the work-in-progress balance includes adjustments totalling Kshs.373,558,454 and Kshs.1,461,390,709 reported to have been made through two journal vouchers whose details were not provided for audit.

In the circumstance, the accuracy and validity of the property, plant, and equipment balance totalling Kshs.17,524,149,867 could not be confirmed.

8. Trade and Other Payables

The statement of financial position reflects trade and other payables totalling Kshs.469,427,909, further as disclosed in Note 26 to the financial statements. However, the respective ledger reflected Kshs.515,850,668 in respect to the account resulting in an unreconciled variance of Kshs.46,422,756.

In the circumstance, the accuracy of trade and other payables balance totalling Kshs.469,427,909 could not be confirmed.

9. Current Portion of Borrowings

The statement of financial position reflects current portion of borrowings totalling Kshs.2,100,637,021, as disclosed in Note 29(b) to the financial statements. However, the ledger provided for audit reflected Kshs.637,889,421 in respect to the account resulting to a variance of Kshs.1,464,674,260. Management explained that a sum of Kshs.637,889,421 had been erroneously posted to the account but was thereafter corrected. However, no reconciliation was provided to show how the adjusted balance totalling Kshs.2,100,637,021 was derived.

In the circumstance, the correctness and completeness of current portion of borrowings balance totalling Kshs.2,100,637,021 could not be confirmed.

10. Long-term Borrowings

The statement of financial position reflects borrowings totalling Kshs.7,678,290,668 as further disclosed in Note 29(b) to the financial statements. However, the ledger reflected Kshs.7,768,356,971 in respect to the account resulting to a variance of Kshs.90,066,303.

Although Management explained that the ledger had since been adjusted to reflect Kshs.9,778,927,689 in respect to the account, the amended ledger was not provided for audit review.

In addition, the financial statements do not disclose the foreign currency denominated loans in the respective lender's currency, the exchange rate applied to convert them in Kenya Shillings, and the terms of each loan. As a result, sufficient disclosures have not been made on the loans in the financial statements.

In the circumstances, the accuracy and completeness of borrowings balance totalling Kshs.7,678,290,668 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Lake Victoria South Water Works Development Agency Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted receipts totalling Kshs.332,700,000 and actual on comparable basis totalling Kshs.884,392,839 resulting to excess funding of Kshs.551,692,839 or 166% of the budgeted revenue. Similarly, the Agency approved expenditure budget totalled Kshs.332,700,000 and actual expenditure Kshs.884,343,477 resulting to an over-expenditure of Kshs.551,643,477 or 166% of the budgeted expenditure.

The surplus funding and over-expenditure reflected weak budgetary mechanisms which may negatively impact on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing

else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Ethnic Composition Non-Compliance with the National Cohesion and Integration Act, 2008

During the year under review, the Agency had seventy (70) employees out of whom thirty-nine (39) or approximately 56% were members of one ethnic community. This was contrary to Section 7(1) and Section 7(2) of the National Cohesion and Integration Act, 2008 which requires all public offices to seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution should have more than one-third of its staff establishment from the same ethnic community.

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

2. Irregular Accounting of Board Expenses

Examination of record on Director's remuneration indicated that five (5) imprests totalling to Kshs.528,930 issued to members of the Board were expensed directly instead of being accounted for through imprests contrary to Regulation 91(1) of the Public Finance Management (National Government) Regulations, 2015.

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

3. Dormant Bank Accounts

Review of banking records indicated that the Agency operated seven (7) bank accounts in the year under review. However, the accounts recorded minimal or nil transactions but continued to incur bank charges. Management explained that these were project accounts which were opened to facilitate loan repayments from water companies and were about to be closed. However, no records were provided to affirm Management's assertion.

In the circumstances, continued operation of the accounts may result, in wasteful expenditure on bank charges.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Agency to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Agency to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

22 September, 2022

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13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020-2021	2019-2020
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments entities	6	869,577,704	719,200,684
Public contributions and donations	7	3,000,000	-
		872,577,704	719,200,684
Revenue from exchange transactions			
Rendering of services	8	1,265,730	1,683,361
Sale of goods	9	-	233,960
Finance income	10	556,405	972,729
Other income	11	12,993,000	9,180,000
Total revenue		14,815,135	12,070,050
Total Revenue from both non-exchange and exchange transactions		887,392,839	731,270,734
Expenses			
Use of goods and services	12	57,059,929	76,046,590
Employee costs	13	119,724,469	113,864,991
Remuneration of directors	14	21,834,362	39,275,925
Depreciation and amortization expense	15	78,291,884	76,338,248
Repairs and maintenance	16	13,402,489	3,127,621
Contracted services	17	44,441,768	23,676,740
Grants and subsidies- GOK Projects	18	549,377,708	169,450,684
Finance costs	19	210,867	212,608
Total expenses		884,343,477	491,886,501
Other gains/(losses)			
Gain on sale of assets	20	1,475,900	-
Surplus before tax		4,525,263	239,384,233
Taxation		-	-
Surplus/(deficit) for the period/year		4,525,263	239,384,233
Remission to National Treasury	37	-	-
Net Surplus for the year		4,525,263	239,384,233
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling entity		-	-
		4,525,263	239,384,233

The notes set out on pages **20** to **47** form an integral part of these Financial Statements. The Financial Statements set out on pages **1** to **5** were signed on behalf of the Board of Directors by:



Accounting Officer
Mr. Christpine O. Juma, HSC
Date



Head of Finance
CPA John F. Adongo
ICPAK M. No: 11066



Chairman of the Board
Mr. Dan Omino, OGW
Date

Lake Victoria South Water Works Development Agency
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14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	2020-2021(KShs)	2019-2020(KShs)
Assets			
Current Assets			
Cash and cash equivalents	21	54,184,381	331,110,087
Current portion of receivables from exchange trans.	22(a)	188,123,524	203,712,870
Inventories	23	1,161,856	4,425,063
Total Current Assets		243,469,761	539,248,020
Non-Current Assets			
Property, plant and equipment	24	17,524,149,867	14,600,073,370
Intangible assets	25	1,856,142	-
Total Non- Current Assets		17,526,006,009	14,600,073,370
Total Assets		17,769,475,770	15,139,321,390
Liabilities			
Current Liabilities			
Trade and other payables	26	469,427,909	490,734,479
Current Provision	27	1,116,000	-
Employee benefit obligation	28	4,435,700	-
Current portion of borrowings	29(b)	2,100,637,021	-
Deferred income	30	670,287,706	-
Total Current Liabilities		3,245,904,337	490,734,479
		3,245,904,337	490,734,479
Non-Current Liabilities			
Borrowings	29(a)	7,678,290,668	7,130,667,577
Deferred tax liabilities	39	-	-
Total Non- Current Liabilities		7,678,290,668	7,130,667,577
Total Liabilities		10,924,195,005	7,621,402,056
Net assets		6,845,280,765	7,517,919,334
Accumulated surplus		145,741,608	141,216,345
Deferred income		-	1,052,665,415
Capital Fund		6,699,539,157	6,324,037,574
Total Net Assets		6,845,280,765	7,517,919,334
Total Net Assets and Liabilities		6,845,280,765	7,517,919,334

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


Ag. Chief Executive Officer
 Mr. Chrispine O. Juma, HSC
 Date


Head of Finance
 CPA John F. Adongo
 ICPAK MNo.11066:


Chairman
 Mr. Dan Omimo, OGW
 Date

15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	notes	Revaluation Reserve	Fair Value adjustments reserve	Retained Earnings	Deferred Income	Capital Grants	Donor Grants	Total
As at July 1, 2019		-	-	(90,309,474)	888,166,099	3,900,006,401	2,089,134,191	6,786,997,217
Issued new capital		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Capital/Development grants received during the year		-	-	-	333,950,000	277,635,688	57,261,295	668,846,983
Transfer of depreciation/amortization from capital fund to retained earnings	30	-	-	-	(169,450,684)	-	-	(169,450,684)
Surplus/ Deficit for the year		-	-	231,525,819	-	-	-	231,525,819
As at June 30, 2020		-	-	141,216,345	1,052,665,415	4,177,642,089	2,146,395,486	7,517,919,335
As at July 1, 2021		-	-	141,216,345	1,052,665,415	4,177,642,089	2,146,395,486	7,517,919,335
Issued new capital		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer to income/liabilities	30	-	-	-	(1,052,665,415)	-	-	(1,052,665,415)
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Surplus/ Deficit for the year		-	-	4,525,263	-	-	-	4,525,263
Capital/Development grants received during the year		-	-	-	-	267,956,147	107,545,436	375,501,582
Transfer of depreciation/amortization from capital fund to retained earnings		-	-	-	-	-	-	-
As at June 30, 2021		-	-	145,741,608	-	4,445,598,235	2,253,940,922	6,845,280,765

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16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020-2021(KShs)	2019-2020(KShs)
Cash flows from operating activities			
Receipts			
Transfers from other governments entities	6	869,577,704	719,200,684
Public contributions and donations	7	3,000,000	-
Rendering of services	8	1,265,730	1,917,312
Sale of goods	9	-	233,960
Finance income	10	556,405	972,729
Other income	11	12,993,000	9,180,000
Total Receipts		887,392,839	731,270,734
Payments			
Use of goods and services	12	57,059,929	76,046,590
Employee costs	13	119,724,469	103,758,086
Remuneration of directors	14	21,834,362	39,275,925
Depreciation and amortization expense	15	-	-
Repairs and maintenance	16	13,402,489	3,127,621
Contracted services	17	44,441,768	23,676,73940
Grants and subsidies	18	549,377,708	169,450,684
Total Payments		805,840,725	415,548,253
Net cash flows from/ (used in) operating activities	31	81,552,114	315,722,481
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	24/25	(3,004,224,524)	(1,266,003,693)
Proceeds from sale of property, plant and Equip.		-	-
Decrease in trade and other payables	26	(21,306,570)	(93,660,236)
Decrease in inventory	23	(3,263,207)	
Decrease in current portion of receivables from ex.trans	22	(15,589,346)	26,182,597
Net cash flows from/ (used in) investing activities		(3,044,383,647)	(1,333,481,332)
Cash flows from financing activities			
Proceeds from borrowings	29	1,947,492,979	658,197,889
Repayment of borrowings		22,000,000	-
Decrease in deferred income		382,377,708	-
Increase in capital funds		378,035,142	499,394,279
Net cash flows from / (used in) financing activities		2,685,905,829	1,157,592,168
Net increase/(decrease) in cash and cash equivalents		(276,925,704)	139,833,317
Cash and cash equivalents at 1 JULY	21	331,110,086	191,276,769
Cash and cash equivalents at 30 JUNE	21	54,184,382	331,110,086

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

Accounting Officer

Mr. Chrispine O. Juma, HSC
Date

Head of Finance

CPA John F. Adongo
ICPAK MNo.11066:

Chairman of the Board

Mr. Dan Omimo, OGW
Date

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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original budget(KShs)	Adjustments(KShs)	Final budget(KShs)	Actual on comparable basis(KShs)	Performance difference (KShs)	% of utilization
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
Revenue						
Transfers from other governments entities		-				
GoK recurrent grants	118,000,000		118,000,000	117,999,996	4	100%
Deferred income	0		0	549,377,708	549,377,708	
Grants, Dev't for Recurrent Exp.	202,200,000	0	202,200,000	202,200,000	0	100%
Appropriation in Aid	12,500,000	0	12,500,000	14,815,135	2,315,135	119%
Total income	332,700,000	0	332,700,000	884,392,839	551,692,847	
Expenses						
Use of goods and services	98,400,000	0	98,400,000	57,059,929	41,340,071	58%
Employee costs	149,100,000	0	149,100,000	119,724,469	29,375,531	80%
Remuneration of directors	29,020,000	0	29,020,000	21,834,362	7,185,638	75%
Repairs and maintenance	11,800,000	0	11,800,000	13,402,489	-1,602,489	114%
Contracted services	43,480,000		43,480,000	44,441,768	-961,768	102%
Depreciation and amortization expense	0		0	78,291,884	-78,291,884	
Grants and subsidies- GOK Projects	0		0	549,377,708	-549,377,708	
Finance Cost	900,000		900,000	210,867	689,133	23%
Total expenditure	332,700,000	0	332,700,000	884,343,477	-551,643,477	
Surplus/ deficit	-	-	-	49,363	49,370	

Budget notes

1. Appropriation in aid was in the Performance target and the target was achieved hence exceeded the budget
2. Use of goods- some of the items under this vote were capitalized and the cost of budgeted items were significantly low e.g generator which was budgeted at Kshs.15M and cost was Kshs.5M.
3. Employee cost – the vote had been budgeted including the new staff that were being anticipated for recruitment
4. Remuneration of Directors was affected by the COVID pandemic rules where meetings were being contacted online and hence payment of mileage and accommodations reduced.
5. The cost of vehicle repairs became significantly high and the vehicles were referred to the dealers hence the budget exceeded.
6. Grants, Dev't for Recurrent Exp. is the 30% allocation approved by the Board to be used for running development recurrent operations.
7. Grants and Subsidies from the Ministry does not constitute the Agency's approved budget but mandated to implement part of the Ministry's budget line items and workplans of Water projects with the area of Jurisdiction.

18. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Lake Victoria South Water Works Development Agency is established by and derives its authority and accountability from Water Act 2016. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is responsible for efficient and economical provision of Water and sanitation services within its area of jurisdiction as authorized by the Water Services Provision License and mandated by Section 68 of the Water Act 2016.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Agency's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021*

Lake Victoria South Water Works Development Agency
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Standard	Impact
Other Improvements to IPSAS	Applicable: 1st January 2021: a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks. b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved. c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023: a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.

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Standard	Effective date and impact:
	c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020/2021.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The entity 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.

Rendering of services

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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.

ii) Revenue from exchange transactions

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established. The entity has no dividends.

Rental income

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

b) Budget information

The original budget for FY 2020-2021 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 on the 2020-2021 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

Deferred tax

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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.

- i) 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.

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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.

a) 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.

The Agency's depreciation policy is such that property plant and equipment are depreciated on straight line basis for;

ASSET	RATE
Freehold Land	0%
Building	2.5%
M/Veh & Cycles	25%
Water Supply Infr	2.5%
Plant Machinery	20%
Furniture Fit	12.5%
Office Equip	20%
Computers	33.3%

b) 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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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.

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

c) 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 amortized at a rate of 20% per annum.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

d) 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:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) 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.

e) Financial instruments

a) 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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

Loans and receivables

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

Held-to-maturity.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the 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 an 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:

- i) The debtors or an entity of debtors are experiencing significant financial difficulty.
- ii) Default or delinquency in interest or principal payments

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

- iii) The probability that debtors will enter bankruptcy or other financial reorganization.
- iv) Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults)

b) 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.

f) 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:

- i) Raw materials: purchase cost using the weighted average cost method.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

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

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

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

g) 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.

h) 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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

i) 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.

j) 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.

k) 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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

l) 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.

m) 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.

n) Related parties

The Entity 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.

o) 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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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.

p) 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.

q) Comparative figures

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

r) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

5. 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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Significant Judgments and Sources of Estimation Uncertainty (Continued)

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

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:

- a) The condition of the asset based on the assessment of experts employed by the Entity.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

Provisions

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. Provisions for bad debts was not made for the year because the Entities policies contradict the IPSAS 19 standards and the Entity is currently reviewing the policies and implementing ISO standards. Additional disclosure of these estimates of provisions is included in **Note 27**.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Transfers from Other Government Entities

Description	2020-2021	2019-2020
	KShs	KShs
Unconditional grants		
Operational grant	117,999,996	549,750,000
Deferred income	549,377,708	169,450,684
Other grants	202,200,000	0
Total Unconditional Grants	869,577,704	719,200,684
Total government grants and subsidies	869,577,704	719,200,684

The funding received is for both Recurrent operations and Development Grants for works and services provided by the Agency

c) Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total transfers 2020/21 KShs	Prior year 2019/2020 KShs
Ministry of Water	869,577,704	-	-	869,577,704	883,700,000
Total	869,577,704	-	-	869,577,704	883,700,000

7. Public Contributions and Donations

Description	2020-2021	2019-2020
	Kshs	Kshs
Other public donations (specify)	3,000,000	0
Total transfers and sponsorships	3,000,000	0
Reconciliation of public contributions and donations		
Balance unspent at beginning of the year	0	0
Current year receipts	3,000,000	0
Conditions met - transferred to revenue	0	0
Conditions to be met - remain liabilities	3,000,000	0

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Rendering of Services

Description	2020-2021	2019-2020
	KShs	KShs
Service fees- Salary recovery	0	233,960
Water quality (Laboratory charges)	1,265,730	1,683,361
Total revenue from the rendering of services	1,265,730	1,917,321

9. Sale of Goods

Description	2020-2021	2019-2020
	KShs	KShs
Sale of goods		
Other (Salary Advance recovery)	0	233,960
Total revenue from the sale of goods	0	233,960

10. Finance Income

Description	2020-2021	2019-2020
	KShs	KShs
Cash investments and fixed deposits	556,405	972,729
Total finance income	556,405	972,729

11. Other Income

Description	2020-2021	2019-2020
	KShs	KShs
Income from sale of tender	3,000	0
Agency fee	12,990,000	9,180,000
Total other income	12,993,000	9,180,000

12. Use of Goods and Services

Description	2020-2021 (Kshs)	2019-2020 (KShs)
Office hospitality	862,586	2,271,202
Project monitoring and Evaluation	8,376,545	6,375,410
Environmental Impact Assessment	245,000	43,600
Strategic planning	706,100	7,578,491
Project feasibility study	4,930,024	7,166,721
Project Inspection and Acceptance	4,445,410	0
Resource Mobilization	2,913,900	1,271,259
Publicity	201,230	2,187,696
Project Tender	-	75,380
Fuel and oil	6,466,926	9,693,249
Water quality surveillance	43,400	463,200
Water purification cost	-	283,500
Postage	658,190	0

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Description	2020-2021 (Kshs)	2019-2020(KShs)
Printing and stationery	3,757,600	4,138,664
Uniform / protective clothing	345,000	120,000
Inventory /Stocktaking/Tender expenses	3,624,300	535,000
Telecommunication	785,150	863,903
Customer/empl. satisfaction work envir. survey	0	91,640
Training & Workshops	3,489,845	5,425,620
Travel, accommodation, subsistence and other allow	7,442,623	10,486,419
KRA Remittance Withholding tax		8,599,271
Corporate Social Responsibility	6,650,100	2,025,886
Conferences & show		1,866,136
Audit fees	1,116,000	3,601
Computer Equipment, networking, software & Maint		296,750
Valuation stock taking Audits & performance Audits		2,756,100
Iso Certification		149,800
Periodicals & Newspapers		264,706
Postal & Courier services		449,310
Drugs & dressing		564,075
	57,059,929	76,046,589

13. Employee Costs

	2020-2021(KShs)	2019-2020(KShs)
Salaries and wages	68,043,814	64,962,937
Employer contribution to pension schemes/ gratuity	21,178,168	12,250,940
Commuter allowance	4,848,255	4,840,000
Housing allowance	18,048,236	15,812,000
Telephone allowance	1,105,164	983,000
Other employee related costs	6,500,832	4,145,718
NITA		32,850
staff welfare		730,640
Employee costs	119,724,469	103,758,086

14. Remuneration of Directors

Description	2020-2021	2019-2020
	Kshs	Kshs
Chairman/Directors' Honoraria	1,020,000	761,892
Sitting allowances	20,814,362	38,514,033
Total	21,834,362	39,275,925

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Depreciation and Amortization Expense

Description	2020-2021	2019-2020
	KShs	KShs
Property, plant and equipment	77,827,849	84,157,694
Intangible assets	464,036	0
Total depreciation and amortization	78,291,884	84,157,694

16. Repairs and Maintenance

Description	2020-2021	2019-2020
	Kshs	Kshs
Building and compound	2,791,616	781,405
Electrical repairs	688,038	577,542
Vehicles	9,318,761	
Computers and accessories	604,074	1,768,674
Total repairs and maintenance	13,402,489	3,127,621

17. Contracted Services

Description	2020-2021	2019-2020
	KShs	KShs
Security services	2,104,765	2,367,067
Cleaning services	1,522,512	1,718,251
Legal Services	28,852,807	9,484,516
Medical Insurance	11,961,684	10,106,905
Total contracted services	44,441,768	23,676,73940

18. Grants and Subsidies

	2020-2021	2019-2020
GOK PROJECTS	KShs	KShs
Wash Activities & B/Holes	76,987,911	21,223,332
Drilling & Equipping of B/holes /Water for Schools	236,240,348	127,378,177
Small Dams Pans and Boreholes	9,730,221	
Drought Mitigation Projects	196,172,703	
Constituency water projects/Priority Project	30,246,525	20,849,175
Subtotal	549,377,708	169,450,684
Capital Projects		
Property valuations	267,956,147	277,368,801
Subtotal	267,956,147	277,368,801
Total grants and subsidies	817,333,855	446,819,485

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Finance Costs

Description	2020-2021 (KShs)	2019-2020 (KShs)
Interest charge on Bank account	210,867	212,608
Total finance costs	210,867	212,608

20. Gain on Sale of Assets

Description	2020-2021 (KShs)	2019-2020 (KShs)
Other assets not capitalised	1,475,900	0
Total gain on sale of assets	1,475,900	0

21. Cash and Cash Equivalents

Description	2020-2021 (KShs)	2019-2020 (KShs)
Current account	47,040,743	305,926,218
On - call deposits	7,143,638	25,183,869
Total cash and cash equivalents	54,184,381	331,110,087

21 (a) Detailed Analysis of the Cash and Cash Equivalents

Financial institution	Account Number	2020-2021	2019-2020
a) Current account		KShs	KShs
Kenya Commercial bank	1104035464	2,959,225	258,401,771
	1104034395	6,252,256	7,331,096
	1211147312	9,698,853	16,554,209
	1104035197	2,678	2,678
	1146676387	3,562,286	3,567,671
	1116821648	165,760	165,760
	1104036320	39,413	39,413
	1211147177	18,995,723	12,996,788
	1211147266	267,172	268,237
	1211147290	643,515	644,580
	1211147274	0	0
	1211147282	0	0
	1283193744	0	0
Sub- total		42,586,880	299,972,203
Cooperative Bank of Kenya	1141295755601	4,435,700	5,935,852
	1141295755600	18,164	18,164
	1141871351900	0	0
Sub- total		4,453,864	5,954,016
b) On - call deposits			
KCB Short Term Deposits	MM1803739642	7,143,638	25,183,869
Sub- total		7,143,638	25,183,869
Grand total		54,184,381	331,110,088

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22.Receivables from Exchange Transactions

Description	2020-2021 (KShs)	2019-2020(KShs)
Water Service Providers debtors	187,823,109	211,532,316
Other debtors (non-exchange transactions)	300,415	0
Less: impairment allowance	(0)	(7,819,446)
Total current receivables	188,123,524	203,712,870

22(a) Current Receivables from Exchange Transactions

	2021(KShs)	2020(KShs)
Kisumu Water And Sewerage Co. Ltd	27,100,538	38,438,707
Kericho Water And Sanitation Co. Ltd	66,147,041	68,772,041
Gusii Water And Sanitation Co. Ltd	21,858,050	21,681,385
Sibo Water And Sanitation Co. Ltd	34,516,613	34,716,613
Mikutra Water And Sanitation Co.	7,050,349	7,260,349
Homa Bay Water And Sanitation Co.	23,664,569	23,764,569
Bomet Water Company	7,485,949	8,376,115
Nyanas Water And Sanitation Co.	0	4,632,698
Gulf Water Services Co. Ltd	0	3,186,748
Staff Advances	300,415	703,091
	188,123,524	211,532,316
less Impairment Losses/ specific bad debt Provision	0	7,819,446
Balances	188,123,524	203,712,870

22 (c) Reconciliation for Impairment Allowance on Receivables from Exchange Transactions

Impairment Allowance/ Provision	2020-2021	2019-2020
At the beginning of the year	7,819,446	0
Additional provisions during the year	0	7,819,446
At the end of the year	7,819,446	7,819,446

23.Inventories and Stores

Description	2020-2021	2019-2020
	KShs	KShs
Consumable stores	1,161,856	4,425,063
Total inventories at the lower of cost and net realizable value	1,161,856	4,425,063

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Property, Plant and Equipment

COST	FREEHOLD LAND	BUILDING	M/VEH & CYCLES	WATER SUPPLY INFR	PLANT MACHINERY	FURNITURE FIT	OFFICE EQUIP	COMPUTERS	CAPITAL WORK IN PROGRESS	TOTAL
	Kshs		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
Asset Cost	0%	2.50%	25%	2.50%	20%	12.50%	20%	33.30%	0.00%	
Balance as at 01.07.2020	157,007,227	139,258,800	127,064,485	2,867,435,571	19,333,097	9,367,108	2,451,597	10,122,294	12,462,862,682	15,794,902,861
Additions			2,417,878		4,999,600	554,982		1,001,400	2,992,930,486	3,001,904,346
Disposals										-
Transfer/adjustments										-
As at 30.06.2021	157,007,227	139,258,800	129,482,363	2,867,435,571	24,332,697	9,922,090	2,451,597	11,123,694	15,455,793,168	18,796,807,207
Depreciation and impairment										-
At 1st July 2020	0	25,518,856	126,370,080	1,003,602,449	19,333,097	8,573,720	2,451,597	8,979,692	0	1,194,829,491
Depreciation	-	3,481,470	778,071	71,685,889	999,920	168,546	0	713,953	0	77,827,849
Disposals										-
Impairment										-
Transfer/adjustment										-
As at 30.06.2021	0	29,000,326	127,148,151	1,075,288,338	20,333,017	8,742,266	2,451,597	9,693,645	0	1,272,657,340
Net book values										
At 30th June 2020	157,007,227	113,739,944	694,405	1,863,833,122	0	793,388	0	1,142,602	12,462,862,682	14,600,073,370
At 30th June 2021	157,007,227	110,258,474	2,334,212	1,792,147,233	3,999,680	1,179,824	0	1,430,049	15,455,793,168	17,524,149,867

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Valuation

Land and buildings has not been valued by an independent value. These amounts are historical book values.

24 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost(KShs)	Accumulated Depreciation (KShs)	NBV (KShs)
Freehold Land	157,007,227	0	157,007,227
Building	139,258,800	29,000,326	110,258,474
M/Veh & Cycles	129,482,363	127,148,151	2,334,212
Water Supply Infr	2,867,435,571	1,075,288,338	1,792,147,233
Plant Machinery	24,332,697	20,333,017	3,999,680
Furniture Fit	9,922,090	8,742,266	1,179,824
Office Equip	2,451,597	2,451,597	0
Computers	11,123,694	9,693,645	1,430,049
Work In Progress	15,455,793,168	0	15,455,793,168
TOTAL	18,796,807,207	1,272,657,340	17,524,149,867

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Office Equip	2,451,597	490,319
Total	13,575,291	4,194,509

25. Intangible Assets

Description	2020-2021	2019-2020
S	KShs	KShs
Cost		
At beginning of the year	22,112,540	0
Additions	2,320,178	0
At end of the year	24,432,718	0
Additions-internal development	0	0
At end of the year	24,432,718	0
Less: Amortization and impairment		
At beginning of the year	22,112,540	0
Amortization @ 20%	464,036	0
At end of the year	22,576,576	0
NBV	1,856,142	0

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26. Trade and Other Payables

Description	2020-2021	2019-2020
	Kshs	Kshs
Trade payables	459,729,056	490,734,479
Other payables- Retention amount	9,698,853	0
Total trade and other payables	469,427,909	490,734,479

27. Current Provisions

Description	Leave provision	Bonus provision	Gratuity Provision	Other provision	Total
	KShs	KShs	KShs	KShs	KShs
Balance b/d (1.07.2020)	-	-	-	-	-
Additional Provisions	-	-	-	1,116,000	1,116,000
Provision utilised	-	-	-	-	-
Totals				1,116,000	1,116,000

28. Employee Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2020-2021	2019-2020
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation	4,435,700	0	0	0	0
Total employee benefits obligation	4,435,700		0	0	0

The amount above relates to Staff gratuity at the rate of 31% of the basic salary of employees.

Retirement benefit Asset/ Liability

The entity operates a defined benefit scheme for all full-time employees from July 1, 2004. The scheme is administered by APA Insurance who are the custodians of the scheme. The scheme is based on 7.5% of salary of an employee and employers contribute 15% at the time of retirement. The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs. 1,080 per employee per month.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. Borrowings

Description	2020-2021(KShs)	2019-2020(KShs)
a) External Borrowings		
Balance at beginning of the year	7,130,467,551	6,658,733,734
External borrowings during the year	1,947,492,979	471,733,817
Accrued interest & Penalties	722,967,161	
Repayments of during the year	(22,000,000)	0
Balance at end of the year	9,778,927,689	7,130,467,551
Balance at end of the period- Domestic and External borrowings c = a+b	9,778,927,689	7,130,467,551

The analyses of both external and domestic borrowings are as follows:

	2020-2021 (KShs)	2019-2020 Kshs)
External Borrowings	KShs	KShs
Dollar Denominated loan		
Afdb	2,524,795,840	2,240,803,959
Euro Denominated loan		
AFD	2,282,615,988	681,229,963
Afdb	1,831,747,523	1,706,554,712
KFW	3,139,768,338	2,501,878,916
Total balance at end of the year	9,778,927,689	7,130,467,550

29(b)

Description	2020-2021	2019-2020
	KShs	KShs
Short term borrowings (current portion)	2,100,637,021	0
Long term borrowings	7,678,290,668	7,130,467,551
Total	9,778,927,689	7,130,467,551

(NB: the total of this statement should tie to note 43 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).

Borrowings amounting to KShs. **9,778,927,689** relates to Donor funded projects on credit facility guaranteed by the Government for Water infrastructure development.

30. Deferred Income

Description	2020-2021	2019-2020
	KShs	KShs
National government	670,287,707	1,052,665,415
Total deferred income	670,287,707	1,052,665,415

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The deferred income movement is as follows:

	National government	International funders	Public contr. and donations	Total
Balance brought forward	1,052,665,415	-	-	1,052,665,415
Additions	167,000,000	-	-	167,000,000
Transfers to income statement				
Constituency & Priority Projects	(30,246,525)			(30,246,525)
Drought Mitigation Projects	(196,172,703)			(196,172,703)
Small Dams Pans and Boreholes	(9,730,221)			(9,730,221)
Drilling & Equipping of B/holes /Water for Schools	(236,240,348)			(236,240,348)
Water Projects Pans & Dams/ wash activities	(76,987,911)			(76,987,911)
	(549,377,708)			(549,377,708)
Balance carried forward	670,287,706	-	-	670,287,706

31. Cash Generated from Operations

	2020-2021	2019-2020
	KShs	KShs
Surplus for the year before tax	4,525,265	231,564,787
Adjusted for:		
Depreciation	78,291,884	84,157,694
Gains and losses on disposal of assets	1,475,900	0
Finance income	13,549,405	972,729
Finance cost	210,867	212,608
Working Capital adjustments		
Increase in inventory	-3,263,207	0
Increase in receivables	-15,589,346	0
Increase in payables	2,651,763	0
Net cash flow from operating activities	81,852,114	315,722,481

32. 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 entity'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 entity 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:

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i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

Financial Risk Management

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
As at 30 June 2021				
Receivables from exchange transactions	188,123,524	188,123,524	188,123,524	188,123,524
Bank balances	54,182,382	54,182,382	-	54,182,382
Total	242,307,906	242,307,906	188,123,524	242,307,906
As at 30 June 2020				
Receivables from exchange transactions	211,532,316	203,712,870	203,712,870	7,819,446
Bank balances	331,110,087	331,110,087	-	-
Total	542,642,403	534,822,957	203,712,870	-

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management. Cont.....

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from water service providers. The board of directors sets the entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the 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 entity 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.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2021				
Trade payables	-	14,102,788	455,325,121	469,427,909
Current portion of borrowings	-	-	2,100,637,021	2,100,637,021
Provisions	-	1,116,000	-	1,116,000
Deferred income	-	-	670,287,706	670,287,706
Employee benefit obligation	-	4,435,700		4,435,700
Total	-	19,654,488	3,226,249,849	3,245,904,337
As at 30 June 2020				
Trade payables	0	0	490,734,479	490,734,479
Total	0	0	490,734,479	490,734,479

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Financial Risk Management

iii) Market risk

The entity 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 entity'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.

a) Foreign currency risk

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management

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:

FY 2021

		Other currencies	Total
	Kshs	Kshs	Kshs
As at 30 June 2021			
Financial assets			
Investments			
Cash			
Debtors			
Total financial assets			
Financial Liabilities			
Trade and other payables			
Borrowings			
Total financial liabilities			
Net foreign currency asset/(liability)			

FY 2020

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
As at 30 June 2020			
Financial assets			
Investments			
Cash			
Debtors			
Total financial assets			
Financial Liabilities			
Trade and other payables			
Borrowings			
Total financial liabilities			
Net foreign currency asset/(liability)			

Foreign currency sensitivity analysis

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management

	Change in currency rate	Effect on Profit before tax	Effect on Equity/Net assets
	Kshs	Kshs	Kshs
2021			
Euro	10%	0	0
USD	10%	0	0
2020			
Euro	10%	0	0
USD	10%	0	0

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2020: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2020 – KShs xxx)

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Financial Risk Management Cont....

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *entity* considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
As at 30 June 2021				
Financial Assets				
Quoted equity investments	0	0	0	0
Non- financial Assets				
Investment property	0	0	0	0
Land and buildings	0	0	0	0
	0	0	0	0
As at 30 June 2020				

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Financial Assets				
Quoted equity investments	0	0	0	0
Non- financial Assets				
Investment property	0	0	0	0
Land and buildings	0	0	0	0
	0	0	0	0

There were no transfers between levels 1, 2 and 3 during the year. Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

v) Capital Risk Management

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

	2020-2021	2019-2020
	Kshs	Kshs
Revaluation reserve	0	-97,662,008
Retained earnings	145,741,608	239,345,266
Capital reserve	6,699,539,157	6,323,770,687
Total funds	6,845,280,765	6,465,453,945
Total borrowings	9,778,927,689	7,130,467,551
Less: cash and bank balances	-54,184,381	-331,110,087
Net debt/(excess cash and cash equivalents)	9,724,743,308	6,799,357,464
Gearing	0.7	0.95

33. Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

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

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Other related parties include:

- i) The Parent Ministry;
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management;
- v) Board of directors;

	2020-2021	2019-2020
	Kshs	Kshs
Transactions with related parties		
b) Purchases from related parties		
Purchases of electricity from KPLC & Water from govt service providers	0	0
Total	0	0
a) Grants /Transfers from the Government		
Grants from National Govt	869,577,704	719,200,684
Donations in kind	0	0
Total	0	0
b) Key management compensation		
Directors' emoluments	21,834,362	39,275,925
Compensation to key management		
Total	891,412,066	758,476,609

34. Segment Information

The entity has no branches.

35. Contingent Assets and Contingent Liabilities

Contingent Assets

	2020-2021	2019-2020
	Kshs	Kshs
Contingent assets		
Insurance reimbursements	0	0
Assets arising from determination of court cases	0	0
Reimbursable indemnities and guarantees	0	0
Receivables from other government entities	0	0
Others (Specify)	0	0
Total	0	0

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Contingent Liabilities

	2020-2021	2019-2020
	Kshs	Kshs
Contingent liabilities	0	0
Court cases against the entity	0	0
Bank guarantees in favour of subsidiary	0	0
Contingent liabilities arising from contracts including PPPs	0	0
Others (Specify)	0	0
Total	0	0

36. Capital Commitments

Capital commitments	2020-2021	2019-2020
	Kshs	Kshs
Authorised for	2,650,008,296	2,290,000,000
Authorised and contracted for	2,650,008,296	2,290,000,000
Total	2,650,008,296	2,290,000,000

(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the board but at the end of the year had not been contracted or those already contracted for and ongoing)

37. Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. ***In line with this legal requirement the entity did not make any surplus during the year (FY 2020/2021) and hence no remittance to the Consolidated Fund.***

38. Taxation

	2020-2021	2019-2020
	Kshs	Kshs
At beginning of the year	0	0
Income tax charge for the year (note 27)	0	0
Under/(over) provision in prior year/s (note 27)	0	0
Income tax paid during the year	(0)	(0)
At end of the year	0	0

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

39. Deferred Tax Liability

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

	2020-2021	2019-2020
	Kshs	Kshs
Accelerated capital allowances	0	0
Unrealised exchange gains/(losses)	0	0
Revaluation surplus	0	0
Tax losses carried forward	(0)	(0)
Provisions for liabilities and charges	(0)	(0)
Net deferred tax liability/(asset)	0	0
The movement on the deferred tax account is as follows:		
Balance at beginning of the year	0	0
Credit to revaluation reserve	(0)	(0)
Under provision in prior year	0	0
Income statement charge/(credit)	0	0
Balance at end of the year	0	0

(In ordinary circumstances public sector entities under IPSAS are not expected to pay taxes on surplus funds. However, in specific cases where this is applicable an organisation is supposed to seek guidance on accounting for income taxes from IAS 12)

40. Events after the Reporting Period

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

41. Ultimate and Holding Entity

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

42. Currency

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

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APPENDIX

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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Inaccuracies in Comparative Balances	Comparative figures were omitted but have been correct.	Resolve	
2	Understatement of Deferred Income	The differed income has been updated in the financial statement of 30 th June 2021	Resolved	30.06.2021
3	Unsupported Procurement of Fuel	The procurement used government entity to procure fuel with a circle from the government which directed all government entities to procure from the National Oil Corporation.	Resolved	30.06.2021
4	Administrative and Establishment Expenses	List of the suppliers were among the list of prequalification for the FY 2019-2020.	Resolved	
5	Unsupported Inventory	The stores maintain Bin cards for every item supplied to the stores and issue notes to tract the	Resolved	30.06.2021

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		changes. This is available in the stores.		
6	Unsupported Cash and Cash Equivalents	The bank reconciliations are done every month and the Board resolve closure of dormant bank accounts	Resolved	30.09.2021
7	Receivables from Exchange Transactions	The reconciliation was done and letters of confirmation obtained	Resolved	30.06.2021
8	Unsupported Property, Plant and Equipment	The updated Assets Register.	Resolved	30.06.2021
9.	Unsupported Counterpart Funding liabilities	The supporting documents for long term liabilities were updated and available	Resolved	30.06.2021
10	Non-Disclosure of Interest on Long Term Loans	The interest and penalties have been disclosed and included as accruals in the current portion of liabilities.	Resolved	30.06.2021
11	Non Compliance with Law on Ethnic Composition	The balancing of the ethnic composition id done through replacement and new recruitment to reduce on the gap	Progress	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		based on the advertisement of new job opportunities		
12	Unauthorized Acting Allowance	The employees who were on acting were fully mandated to act and given letters of acting appointment.	Resolved	1.07.2020
13	Failure to remit Pensions Deductions	Reconciliation with the National Water pension scheme is still in progress to establish the actual payment per individual	In progress	
14	Project Verification	-Piping works for Gwasi have been rectified, -Liking tanks for Rangwe Project was repaired -Komune pan fencing and completion of water pan was done immediately the long rains ended.	Resolved	30.06.2021
15	Long Outstanding Receivables	The two Companies Nyanas and Gulf water companies, have not been performing and the companies were taken over by the	In progress	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		County Government of Kisumu and Kewasco and they will take responsibility of paying the receivables.		
16	Lack of Legal Officer	The legal Officer was employed.	Resolved	30.03.2021

Ag. Chief Executive Officer



Date.....

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APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects implemented by the Agency Funded by development partners and/ or the Government.

Project title	Project Number	Donor	Period/ duration	Donor commitment(KShs)	Separate donor reporting per the donor agreement(Yes/No)	Consolidated in these financial statements(Yes/No)
1. LVWATSAN II	2100155019967	AfDB	5 Yrs	1,320,593,041	Yes	Yes
2. Trilateral Project	BMZ No.2013 65 352	KFW	5Yrs	76,600,000	Yes	Yes
3. Bunyunyu Dam	ORIO11/KE/21	Orio	5Yrs	33,051,501	Yes	Yes
4. Kisumu LVWATSAN	CKE 1093 02 M	AFD/E U/EIB	5Yrs	7,011,432,000	Yes	Yes
5. Water Sector Development Programme	BMZ No.2010 65 861 And BMZ-No. 2010 70 457	KFW	8Years	3,958,420,000	Yes	Yes

Status of Projects completion - Summarise the status of project completion

	Project	Total project Cost (Kshs)	Total expended to date (KShs)	Comp % to date	Budget (KShs)	Actual (KShs)	Sources of funds
1	LVWATSAN Phase II	1,878,380,719	1,878,380,719	100%	174,000,000	161,026,424	GoK
2	Trilateral Development Cooperation in Kenya, Water & Sanitation Sector	79,167,880	66,332,758	84%	35,000,000	-	KFW/GoK
3	Kisumu LVWATSAN	946,274,161	250,136,000	26%	530,000,000	121,526,125	AFD/EU/EIB/ GoK
4	Water Sector Development Programme Lake Victoria South	4,352,879,079	3,321,255,124	76%	1,286,008,296	719,544,418	KFW/GoK
5	Water Services Support Project(Migori Water & Sanitation Project)	1,651,544,022	1,651,544,022	100%	22,500,000	30,246,525	GoK
6	Siaya Bondo Water Supply and Sanitation Project	2,679,538,380	2,679,538,380	100%	80,000,000	-	GoK
7	Kisii Water Supply and Sanitation Project	100,534,656	100,534,656	100%	0		Orio(Netherlands)/GoK
8	Kisumu Short Term Action Plan	3,517,238,089	3,517,238,089	100%	0		AFD/ GoK
9	Kisumu Long Term Action Plan Loan 1	508,297,920	508,297,920	100%	0		AFD/ GoK
10	Kisumu Long Term Action Plan Loan 2	1,482,535,600	1,482,535,600	100%	0		AFD/ GoK
	Total	17,196,390,506	15,455,793,268		2,650,008,296	1,032,343,491	

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APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:				
	Break down of Transfers from the State Department of Water Sanitation and Irrigation			
	FY 2020/2021			
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		8/9/2020	9,833,333	2020/2021
		8/9/2020	9,833,333	2020/2021
		05/10/2020	9,833,333	2020/2021
		06/11/2020	9,833,333	2020/2021
		7/12/2020	9,833,333	2020/2021
		18/01/2021	9,833,333	2020/2021
		4/2/2021	9,833,333	2020/2021
		9/3/2021	9,833,333	2020/2021
		9/3/2021	9,833,333	2020/2021
		12/4/2021	9,833,333	2020/2021
		23/06/2021	9,833,333	2020/2021
		5/7/2021	9,833,333	2020/2021
		Sub Total	117,999,996	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		17/09/2020	168,500,000	2020/2021
		18/12/2020	149,500,000	2020/2021
		18/12/2020	74,750,000	2020/2021
		4/2/2021	10,560,000	2020/2021
		8/7/2021	198,250,000	2020/2021
		9/7/2021	152,000,000	2020/2021
		14/7/2021	15,000,000	2020/2021
		Sub Total	768,560,000	
		Total	886,559,996	

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

Finance Manager
 LVSWDA

Sign 

Head of Accounting Unit
 MWS&I

Sign-----

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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Borrowings	
Ministry of Water and Sanitation & Irrigation	2020-2021	Recurrent	117,999,996	117,999,996	0	0	0	0	117,999,996
		Grants, Dev't for Recurrent Exp.	202,200,000	202,200,000	0	0	0	0	202,200,000
		Ministry Grants	167,000,000			167,000,000			167,000,000
		Development	388,800,000	0	388,800,000		0	0	388,800,000
		Direct Payment	745,434,857	0	107,545,436		0	637,889,421	745,434,857
Total			1,621,434,853	320,199,996	496,345,436	167,000,000	0	637,889,421	1,621,434,853

