

REPUBLIC OF KENYA



REPORT




OF

THE AUDITOR-GENERAL

ON

**LAKE VICTORIA NORTH WATER WORKS
DEVELOPMENT AGENCY**

**FOR THE YEAR ENDED
30 JUNE, 2025**

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 10 MAR 2026	DAY: TUESDAY
TABLED BY: HON. OWEN BAYA, MP	
PREPARED BY: CHRISTINE NDIRITU	



LAKE VICTORIA NORTH WATER WORKS DEVELOPMENT AGENCY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2025

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

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Lake Victoria North Water Works Development Agency
Annual Report and Financial Statements
for the year ended June 30, 2025.

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1. Acronyms and Definition of Key Terms

A: Acronyms

ACME	African Centre for Media Excellence
AfDB	African Development Bank
Ag.	Acting
ASALs	Arid and Semi-Arid Lands
BUWASCO	Busia County Water and Sanitation Company Limited
CBK	Central Bank of Kenya
CEO	Chief Executive Officer
CoK	Constitution of Kenya
CPA	Certified Public Accountant
CPS	Certified Public Secretary
CSR	Corporate Social Responsibility
DG	Director General
EMCA	Environmental Management and Coordination Act
Eng.	Engineer
ESCP	Environmental and Social Commitment Plan (ESCP)
ESMP	Environmental and Social Management Plan
GoK	Government of Kenya
GRM	Grievance Redress Mechanism
HSMP	Health and Safety Management Plan
ICPAK	Institute of Certified Public Accountants of Kenya
ICT	Information and Communication and Technology
IDA	International Development Association
IIA	Institute of Internal Auditors
IPC	Interim Payment Certificate
IPSAS	International Public Sector Accounting Standards
ISO	International Standards Organisation
KACWASCO	Kakamega County Water and Sanitation Company Limited
KCB	Kenya Commercial Bank
KFW	Kreditanstalt für Wiederaufbau

Lake Victoria North Water Works Development Agency

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KIDDP	Kenya Italy Debt for Development Programme
KISIP	Kenya Informal Settlements Improvement Project
KOICA	Korea International Corporation Agency
LVNWWDA	Lake Victoria North Water Works Development Agency
MV	Motor Vehicle
NEMA	National Environment Management Authority
NGO	Non-Governmental Organisation
NRVWWDA	North Rift Valley Water Works Development Agency
NT	National Treasury
OCOB	Office of the Controller of Budget
OSHA	Occupational Safety and Health Act of 2007
PFM Act	Public Finance Management Act
PIC	Public Investment Committee
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
RAP	Resettlement Action Plan
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
SCAC	State Corporations Advisory Committee
SRC	Salaries and Remuneration Commission
TRAPCA	Trade Policy Centre for Africa
UNICEF	United Nations Children's Fund
VIWASCO	Vihiga Water and Sanitation Company Limited
WASREB	Water Services Regulatory Board
WaSSIP	Water Supply and Sanitation Improvement Project
WB	World Bank
WRA	Water Resources Authority
WSP	Water Service Provider

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B: Definition of Key Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organization.

Comparative Year- Means the prior period.

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2. Key Agency Information and Management

(a) Background information

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

Lake Victoria North Water Works Development Agency serves the counties of Bungoma, Kakamega, Vihiga, Busia, Trans-Nzoia, and Nandi. The total coverage area of the Agency's mandate is 12,754.8 sq. km, with an estimated population of about 7.5 million. Currently, about of 60.9% of this population has access to water while about 6.69% has access to sewerage services and 71.95% have access to sanitation services.

(b) Principal Activities

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

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

Vision

Water and Sanitation for All.

Mission

To develop, maintain and manage water and sanitation infrastructure to enable access to safe water and sanitation.

Core Values

- **Integrity:** The organization will endeavour to operate above board in all its operations
- **Quality Services:** The organization will endeavour to provide services that meet the expectations of its customers.

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- **Good Governance:** The organization will conduct its affairs in a transparent and accountable manner; and seek stakeholder participation in decision-making process.
- **Team Work:** The organization will seek to have an organization built on teamwork and high level of discipline.

Key Management

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

No.	Designation
1.	Board of Directors
2.	Chief Executive Officer
3.	Chief Manager-Finance and Resource Mobilization
4.	Chief Manager-Technical Services
5.	Chief Manager-Internal Audit and Risk Management
6.	Chief Manager-Corporate Services
7.	Corporation Secretary

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Mr. Joel Wamalwa
2.	Chief Manager-Finance and Resource Mobilization	CPA Anthony Kisaka
3.	Chief Manager-Technical Services	Eng. George Odedeh
4.	Manager-Internal Audit and Risk Management	CPA Michael Wasike
5.	Chief Manager-Corporate Services	CPA Wesley Kiprono
6.	Corporation Secretary	CS Elizabeth Ngala

Key Agency Information and Management (continued)

(d) Fiduciary Oversight Arrangements

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

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

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

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

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

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

(e) Agency Headquarters

Kenfinco Complex
Kakamega-Kisumu Road
P.O Box 673 - 50100
KAKAMEGA

(f) Agency Contacts

Tel: 254- 56-30795
Fax: 254-056-31506
E-mail: info@lvnwwda.go.ke
Website: www.lvnwwda.go.ke

(g) Agency Bankers

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

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

**Lake Victoria North Water Works Development Agency
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Key Agency Information and Management (continued)**

(h) Independent Auditor

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

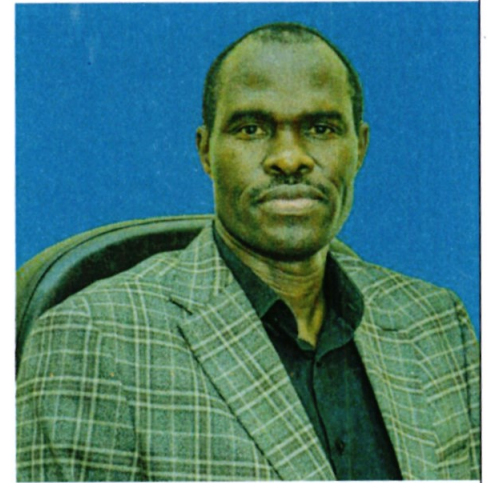
(i) Principal Legal Adviser

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

3. The Board of Directors

John Otee Imoite (Born 1971) Chairman of the Board

He is a Non-Executive Board Chair of Lake Victoria North Water Works Development Agency with effect from 19th May 2023. His specialisation is in civic education with an MA in Literature (University of Nairobi) and a BA in Literature and History. He is also the managing partner at the Performance Training Centre and a board member of the ACME Development Organisation (NGO).



Petronila Were (Born 25.12.1975), Member of the Board of Directors

Appointed on 19th May 2023 up to 5th October 2024, as a non-executive director of Lake Victoria North Water Works Development Agency by the President of the Republic of Kenya. She holds a Master's Degree in Public Administration and Management (Public Policy and Administration- Major) Bachelor of Education (Arts) in English Language and Literature. She chaired the Finance & Administration Committee and thereafter Technical and Environmental Committee of the Board. Previously, she served as a Senator representing special interests from August 2017 to August 2022.



Abraham Kipkogei Cheruiyot (Born 8.5.1982), Member of the Board of Directors and Chairman of the Technical and Environmental Committee

The President of the Republic of Kenya appointed him on 19th May 2023 as a Non-Executive Director of Lake Victoria North Water Works Development Agency. He holds a Bachelor of Arts degree in community development. He is the Chairperson of the Technical and Environmental committee of the Board after Chairing the Governance, Risk & Audit Committee. He is the Chief Executive Officer of Nandi Potato Cooperative Society.



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Eng. Butichi Khamisi (Born 6.11.1982), Member of the Board of Directors

The President of the Republic of Kenya as Non-Executive Board member of Lake Victoria North Water Works Development Agency with effect from 19th May 2023. Subsequently, the Cabinet Secretary for Water, Sanitation and Irrigation appointed him as the Board member from 21st July 2023 and revoked the appointment on 8th November 2024. He holds a Bachelor of Science degree in Civil Engineering. He is the Chairman of the Technical and Environmental Committee of the Board. He is also the Managing Director of Butichi and Associates Engineering Consultants Ltd.



Dr. Daniel Omoro Achach (Born 28.2.1982), Member of the Board of Directors and Chairman of Finance & Administration Committee

The President of the Republic of Kenya as Non-Executive Board member of Lake Victoria North Water Works Development Agency with effect from 19th May 2023. Subsequently, the Cabinet Secretary for Water, Sanitation and Irrigation appointed him as the Board member from 21st July 2023. He holds a PhD in International Trade Law, Masters of Science in International Trade Policy and Trade Law and Bachelor of Laws. He is a trainer in international trade policy and trade law at Trade Policy Centre for Africa (TRAPCA).



Eng. Simon Korir (Born 28.2.1969), Member of the Board of Directors

Eng. Simon Korir is the Principal Secretary, Ministry of Water, Sanitation and Irrigation's representative to the Agency from 20th January 2023 up to 28th November 2024. He holds a Bachelors of Arts degree in Civil and Structural Engineering and the Acting Director Water and Infrastructure Development at the Ministry of Water, Sanitation and Irrigation.



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Samuel Kipkoech Kiptorus (Born 18.2.1968) - Member of the Board of Directors

He was appointed on 5th May 2021 to represent CS, National Treasury. Director Samuel Kiptorus is a Senior Deputy Director in National Treasury and Planning and an Alternate Director at Lake Victoria North Water Works Development Agency and Minerals Rights Board. Previously he was an alternate director at the ICT Authority and Maseno University Council. He holds a Master of Arts degree from the University of Dar es Salaam and a Bachelor of Arts degree from the University of Nairobi.



Miriam Obura (Born 19.3.1974) - Member of the Board of Directors and Chairperson Governance Risk & Audit Committee

She was appointed on 29th November 2024 by the CS, Water, Sanitation and Irrigation. Director Miriam Obura holds a Bachelors of Arts-Sociology & English and has previously served as a Public Member of Busia County Assembly Service Board from May 2013 to December 2022.



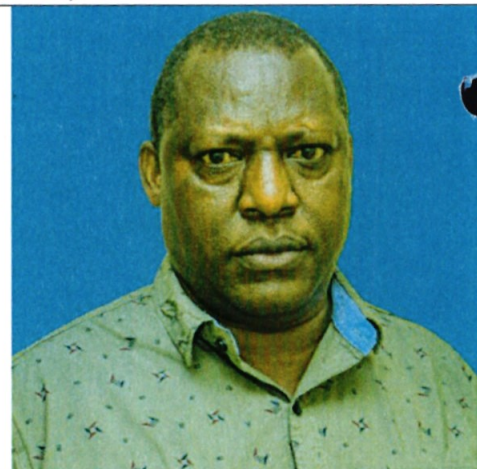
Douglas Isumba Beru (Born 9.8.1982) - Member of the Board of Directors

The CS, Water, Sanitation and Irrigation appointed him on 20th December 2024. He holds a degree in Business Management from the East African University. He is a General Treasurer at the African Divine Church E A and Managing Director of Lagata Villa Resort.



Eng. Martin Mukosi Ngáa (Born March 1968), Member of the Board of Directors

Eng. Martin Mukosi Ngáa is the Principal Secretary, Ministry of Water, Sanitation and Irrigation's representative to the Agency from 28th November 2024. He holds a Bachelors of Science Degree in Civil Engineering and the Director Water Sector Coordination at the State Department for Water and Sanitation.



Mr. Joel M. Wamalwa (Born 28.6.1982) - Chief Executive Officer

He was appointed the Chief Executive Officer of Lake Victoria North Water Works Development Agency with effect from 27th November 2023.

He holds a Bachelor of Arts Degree from Makerere University and a Master's Degree in Environmental Planning from the UoN. He is currently pursuing his PhD in Environmental Economics and Planning.

Mr. Wamalwa has extensive and vast experience in civil, research and implementation of multi-stakeholders' programmes, co-ordination and management of donor funded programmes, having worked with the Kenya Institute of Public Policy Research and Analysis(KIPPRA), the University of Nairobi (UoN) and the World Bank.

Prior to his appointment as the LVNWWDA CEO, he was the Acting CEO and Manager in charge of Licensing and Compliance at the Kenya Film Classification Board

He has also served as the Chief Officer in the County Government of Kakamega, where he managed various programmes such as the Urban Cleaning Programme, Urban Infrastructure Development Programme, World Bank Municipal Programme grant and the Kenya Urban Support Programme grant, among others

He has also attended an array of short professional courses and written various Research Papers and Manuscripts on Environmental Planning and Management



Mrs Elizabeth Ngala (Born 27.8.1977) - Corporation Secretary

She was appointed on 2nd May 2016 as the Corporation secretary. She has a Masters in Tax Law (LLM, UNISA), Bachelor of Laws (LLB, UoN) Hons. Degree, a Post Graduate Diploma in Law, CPA (K) and CPS (K). Elizabeth is an advocate of the High Court of Kenya. She is a member of Law Society of Kenya, a Certified Public Secretary registered with the Institute of Certified Public Secretaries of Kenya and a Certified Public Accountant registered with ICPAK. Elizabeth has wide experience in Legal, Board secretarial and corporate governance having served in both private and public sectors. She is responsible for providing guidance on statutory and regulatory compliance and support to the Board in driving the corporate governance agenda.



4. Key Management Team

Mr. Joel M. Wamalwa (Born 28.6.1982) - Chief Executive Officer

He was appointed the Chief Executive Officer of Lake Victoria North Water Works Development Agency with effect from 27th November 2023.

He holds a Bachelor of Arts Degree from Makerere University and a Master's Degree in Environmental Planning from the UoN. He is currently pursuing his PhD in Environmental Economics and Planning.

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He has also attended an array of short professional courses and written various Research Papers and Manuscripts on Environmental Planning and Management



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CPA Anthony Chebulobi Kisaka (Born 26.1.1979) -Chief Manager Finance & Resource Mobilization

He was appointed the Acting Chief Executive Officer of Lake Victoria North Water Works Development Agency with effect from 24th April 2023 to 26th November 2023.

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



**Eng. George Odedeh - Born 1968
Chief Manager Technical Services**

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

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

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

He heads the Infrastructure Development Department.



Chief Manager Corporate Services

He was appointed as the Chief Manager Corporate services on 04.03.2024.

Mr. Kiprono holds a Masters of Business Administration (MBA-Financial Management), Bachelor of Commerce Degree (BCOM-Finance), Post Graduate Diploma Project Management and is currently pursuing a PhD. course in Business Administration (Financial Management- Research stage) at the Jomo Kenyatta University of Science and Technology.

He is a Certified Public Accountant of Kenya (CPA-K), Certified Public Secretary of Kenya (CPS-K), Certified Investment & Financial Analyst (CIFA- Intermediate level), Certified Professional Mediator (Eckerd College, Mediation Training Institute) and also has Certifications in Strategic Leadership Development Program & Senior Management Course (Kenya School of Government).

Actively engaged in professional associations, he is a member of the Institute of Certified Public Accountants of Kenya (ICPAK), the Institute of Certified Public Secretaries of Kenya (ICPSK), the Institute of Internal Auditors of Kenya (IIAK), and the Kenya Institute of Management (KIM-Full member).

He has extensive working experience in both the Private and Public sector in Management Finance and Accounting and has also worked as a part time lecturer in several private and public universities at under graduate and postgraduate levels.

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**CPA Michael Wasike – Born 18th June 1976
Manager Internal Audit & Risk
Management**

Joined LVNWWDA on July 2022 as Manager Internal Audit. He holds a master of Business Administration in Finance, Bachelor of Commerce in Finance from Masinde Muliro University of Science and Technology and a Diploma in Applied Statistics from Kenya Polytechnic. He is a Certified Public Accountant of Kenya and a member of ICPAK and Institute of Internal Auditors [IIA]



**CS Elizabeth Ngala – Born 1977
Corporation Secretary**

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

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5. Chairman's Statement



I am delighted to present the Lake Victoria North Water Works Development Agency (LVNWWDA) Financial Report for the year ending 30th June 2025. This year has been marked by significant achievements, reflecting our ongoing commitment to infrastructural development and our progress in establishing LVNWWDA as a key player in the provision of water and sanitation services within our jurisdiction.

LVNWWDA, one of nine Water Works Development Agencies established under the Water Act 2016 and subsequently modified by Legal Notices No. 28 of 26th April 2019 and No. 5 of 4th February 2020, plays a crucial role in the national water sector reforms aimed at improving governance and service delivery. Our mandate involves the development, maintenance, and management of public water works across six counties: Bungoma, Kakamega, Vihiga, Busia, Trans-Nzoia, and Nandi.

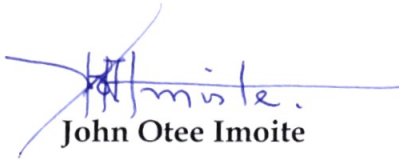
Guided by our five-year Strategic Plan (2023-2027), the Water Act 2016, and the Constitution of Kenya 2010, we have focused on aligning our efforts with both county and national government responsibilities. The Constitution allocates water service provision to county governments, while major infrastructural developments remain under national jurisdiction.

Our focus on flagship projects includes the Kakamega-Bungoma water project, Keben Dam Water Supply Project (407,000 people), Kapsabet Sewerage Project, Nandi Hills Last Mile Connectivity Project, Kiptogot-Kolongolo Last Mile Project, Malaba Town Last Mile Project, Kipkurere Dam Water Supply Project, Mosongo Water Supply Project, and Port Victoria-Sisenye Ruambwa Water Supply Project. We are actively mobilizing resources to realize these initiatives, which will greatly enhance access to safe water and sanitation services across our region.

The success we have achieved is a testament to our sound corporate governance and infrastructure management. I extend my gratitude to the Government of Kenya, the Ministry of Water, Sanitation, and Irrigation, our development partners, and all stakeholders for their

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unwavering support and cooperation. I also thank the Board of Directors for their steadfast commitment and oversight, and the Management and staff for their dedication and hard work, which have been pivotal in our exemplary performance. I look forward to your continued support as we strive to expand access to quality, affordable water and sanitation services in our service area.



John Otee Imoite

Chairman of the Board

Lake Victoria North Water Works Development Agency

6. Report of the Chief Executive Officer



It is my pleasure to present the Company's annual report and financial statements for the year ending 30th June 2025. This report reflects our activities and achievements over the past year and highlights our progress towards our strategic goals.

We have developed a comprehensive 5-year Strategic Plan (2023-2027), crafted through rigorous strategic management approaches including systems thinking, stakeholder consultations, and staff engagement. This plan represents a thorough review of our past performance, an in-depth analysis of our internal and external environments, and a clear understanding of the context in which we operate.

Our performance during the year was characterized by a steadfast commitment to operational efficiency, the adoption of new technologies, and the maintenance of robust corporate governance and control frameworks.

Among our completed projects, we have made notable progress in several categories:

- Schools connected with water: Projects completed include Pefa Sinoko secondary school in Trans Nzoia; Fr. Lelei & Toror, Koisolik and Rubet schools, Kurgung Girls, and Kapnyeberai Girls Secondary School in Nandi; and Mabuusi secondary school, St. Peters Nakalira Primary, Lutacho School, Kituni Water Project, Toroso Mixed Secondary, and Kapanga - Kibisi -Lunyu-Nabiswa Cluster Water Project primary, Makutano Primary schools in Bungoma; Bumini Secondary, Mukhalanya Primary in Kakamega County; Sinoko Secondary School, Kabuyefwe Girls School Water Projects in Transzoia County.
- Sustainable Water and Sanitation Projects: Khushiku Community Water Project, Sabane Primary School Water Project, Etenje Borehole Project, Bukaya Borehole Project, Ileho Water Supply Project, in Kakamega; Bungoma State Lounge and Masinde Murilo Stadium Water Project, Bukananachi Prophetic Church, Kimalewa Water Storage Facility, Nabikoto Springs-Kamukuywa Community, Nabikoto Springs-Kamukuywa Community and Sirisia-Chwele (Chepyuk Ward-Kibabii

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Complex) Water Supply Project (KOICA II) in Bungoma county; Muungano Community in Transzoia County, completed represent significant strides forward.

Our ongoing projects include the Kingwal-segut school, Kipkoror primary school and Ainapnetuny Schools Borehole in Nandi County; Mosongo Bulk Water Projects and St Kizito Sirende school in Bungoma; Central Bunyore LMC in Vhiga and Port Victoria-sisenye Water Project in Busia. In Kakamega County, ongoing projects include the Malava cluster Water Project (Lot 1,2&3) supported by the Government of Kenya.

Looking ahead, we have proposed several ambitious projects across our coverage area, including the Keben Dam and Water Supply Project in Nandi Hills, the Kipkurere Dam and Water Supply Project, and various sewage and water supply projects in Kakamega, Bungoma, Transzoia, Nandi, Vihiga, and Busia counties. These projects are designed to further enhance water and sanitation services across the region.

We remain committed to working closely with all our stakeholders to ensure that the goals outlined in our Strategic Plan are met efficiently and prudently.

Thank you for your continued support as we strive to improve access to quality water and sanitation services.



Mr. Wamalwa M. Joel
Chief Executive Officer

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7. Statement of Performance against Predetermined Objectives for FY 2024/2025

Lake Victoria North Water Works Development Agency had 3 strategic pillars/themes/issues and objectives within the current Strategic Plan for the FY 2024/2025. These strategic pillars/themes/issues were as follows:

- **Pillar/theme/issue 1:** To increase water coverage levels from 43.22% to 45.90% by June 2025
- **Pillar/theme/issue 2:** To increase sewerage coverage from 5.4% to 5.6% by June 2025.
- **Pillar/theme/issue 3:** To develop and rehabilitate low investment and high impact sanitation systems so as to increase sanitation coverage from 71.95% to 77.56 by June 2025

LVNWWDA developed its annual work plans 2024/2025 based on the above 3 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Agency achieved its performance targets set for the financial year 2024/25 period for its 3 strategic pillars, as indicated in the table below:

Objective	Key Performance Indicators	Activities	Achievements
To increase water coverage levels from 43.22% to 45.90% by June 2025	Progress reports, quarterly monitoring reports, and completion certificates	Drilling and equipping of boreholes, construction of solar power systems, extension of pipelines and protection of springs.	24No. schools connected to water
	Progress reports, quarterly monitoring reports, and completion certificates	Drilling and equipping of boreholes, construction of solar power systems and extension of pipelines from existing water supplies.	40No. small water projects drilled and equipped.
	Progress reports, quarterly monitoring reports, and completion certificates	Drilling and equipping of boreholes, construction of solar power systems and protection of springs.	11No. community water projects completed.
	Progress reports, quarterly monitoring reports, and completion certificates	Constructing of water supply systems	2No. Water Supply Systems completed

**Lake Victoria North Water Works Development Agency
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Objective	Key Performance Indicators	Activities	Achievements
	Feasibility studies report, Design report, Tender documents, RAP and ESIA reports	Preparation for Construction of Water Supply Projects	17No. water supply projects prepared for construction.
To increase sewerage coverage from 5.4% to 5.6% by June 2025.	Design review report, RAP and ESIA reports	Design review of Kapsabet Town Sanitation, Mumias Town Sewerage and Chepterit Sanitation Projects	Preparation for Kapsabet Town Sanitation Project, Mumias Town Sewerage and Chepterit Sanitation Projects for construction.

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8. Corporate Governance Statement

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

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

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

Appointment of Board members, Process of appointment and removal of directors, The size, diversity, and demographics of the Board, Existence of the board charter

The appointments of the Board members and removal are as provided for under Section 66 (1) read together with the first schedule of the Water Act, 2016. The Cabinet Secretary appoints the Chairperson and four (4) other board members from counties within the Agency's basin area.

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

The Board has a Charter in place, which is very critical to the Agency's governance framework. The Charter is not a substitute or a replacement of any laws and regulations that govern the running of the Agency. It offers guidance on matters including but not limited to the following;

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

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

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Roles and functions of the board

The primary role of the Board, as stipulated in Mwongozo, the Code of Governance for state corporations 2015 is to guide the Agency towards sustainable long-term success. This is through the exercise of objective and informed judgement in determining the strategy of the Agency, having the best team in place to execute that strategy, monitoring business performance and maintaining an effective framework of controls to mitigate risks facing the business.

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

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

Induction, training, and development

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

Board and members' performance

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

Number of Board meetings held and the attendance to those meetings by members

The Board had the following meetings;

- i) *Finance and Administration Committee*, whose main duties are: - To review financial statements, annual budgets, staff remuneration and terms of service; appointments and disciplinary actions for senior staff; general welfare of the Agency's employees, legal compliance, ICT and corporate affairs. The Committee held six (6) ordinary meetings and the attendance is summarised below;

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NO	NAME OF DIRECTOR	ORDINARY	ATTENDED	REMARKS
1.	Dr. Daniel Achach	6	6	Attended all meetings
2.	Mr. Samuel Kiptorus	6	5	Absent with apology on 26.9.2024
3.	Mr. Wamalwa M. Joel	6	6	Attended all meetings
4.	Eng. Butichi Khamisi	6	3	Member up to 8.11.2024
5.	Eng. Simon Korir	6	0	Member up to 28.11.2024
6.	Eng. Martin Ngáa	6	3	Member from 28.11.2024

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

S/NO	NAME OF DIRECTOR	ORDINARY	ATTENDED	REMARKS
1.	Mr. Abraham Cheruiyot	4	4	Attended all meetings
2.	Mr. Samuel K. Kiptorus	4	4	Attended all meetings
3.	Amb. Petronila Were	4	2	Member up to 5.10.2024
4.	Ms. Miriam Obura	4	2	Member from 29.11.2024

- ii) *Technical and Environmental Committee*, whose focus is on issues arising from the Agency's stewardship of essential water infrastructure and has a duty of reviewing the conditions and performance of technical assets including projects. The committee is also tasked with safeguarding the environment. The Committee held four (4) ordinary meetings and one (1) special meeting during the financial year. The attendance is summarised below;

No.	NAME OF DIRECTOR	ORDINARY	SPECIAL	ATTENDED	REMARKS
1.	Amb. Petronila Were	4	1	3	Member upto 5.10.2024
2.	Mr. Abraham Cheruiyot	4	1	5	Attended all meetings
3.	Mr. Wamalwa M. Joel	4	1	5	Attended all meetings

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4.	Rev. Douglas Beru	4	1	1	Appointed on 20.12.2024
5.	Eng. Simon Korir	4	1	1	Member up to 28.11.2024
6.	Eng. Martin Ngáa	4	1	2	Member from 28.11.2024

Full Board

The Board of Directors held Six (6) ordinary meetings including. The Board with approval from the Cabinet Secretary, Ministry of Water, Sanitation and Irrigation held two (2) special meetings during the financial year in strict compliance with Mwongozo and applicable Laws. The attendance is summarised below;

S/NO	NAME OF DIRECTOR	ORDINARY	ATTENDED	SPECIAL	ATTENDED	REMARKS
1.	Mr. John Otee Imoiote	6	6	2	2	Attended all meetings
2.	Amb. Petronila Were	6	3	2	1	Member upto 5.10.2024
3.	Mr. Abraham Cheruiyot	6	6	2	2	Attended all meetings
4.	Eng. Butichi Khamisi	6	3	2	2	Member up to 8.11.2024
5.	Dr. Daniel Achach	6	5	2	2	Absent with apology on 9.10.2024
6.	Mr. Samuel Kiptorus	6	5	2	2	Absent with apology on 23.6.2025
7.	Eng. Simon Korir	6	1	2	2	Member up to 28.11.2024
8.	Mr. Joel M. Wamalwa	6	6	2	2	Attended all meetings
9.	Eng. Martin Ngáa	6	3	2	0	Member from 28.11.2024
10.	Ms. Miriam Obura	6	3	2	0	Member from 29.11.2024
11.	Rev. Douglas Beru	6	3	2	0	Appointed on 20.12.2024

Succession plan

The appointment of the Board members is staggered to ensure phased transition. The Board has also put in place a succession plan for management.

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Policy to manage conflicts of interest.

The directors are obligated by Section 66 (1) read together with the first schedule (7) of the Water Act, 2016 and the Public Officers Ethics Act to fully disclose any real or potential conflict of interest, which comes to any director's attention, whether direct or indirect. The statutory duty to avoid situations in which the directors have or may have interests that conflict with those of the Agency has been observed by the Board in the financial year under review.

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

Board remuneration

Remuneration of Board members is guided by guidelines on terms and conditions of service for chairmen and board members, 2004 and SRC Circular on review of allowances in public sector of 10th December 2014 which recommend payment of allowances. The Board's chairman is paid a monthly Honorarium.

Ethics and Conduct

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

Governance audit

The Board undertook a governance audit in FY 2024/2025 to ensure that the Agency conforms to the highest standard of governance.

Communication policy

The Agency has in place a communication policy that sets out the guidelines and practices on external and internal communication in order to enhance the achievement of its goals and objectives.

Terms of Reference of Committees

In line with the Mwongozo, the Code of Governance for state corporations 2015, 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. The terms of reference of the committees set out the objectives of the committee, delegated authority, operations and reporting mechanism to the board.

Policy on related party transactions

The Board discloses related party transactions in financial statements.

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9. Management Discussion and Analysis

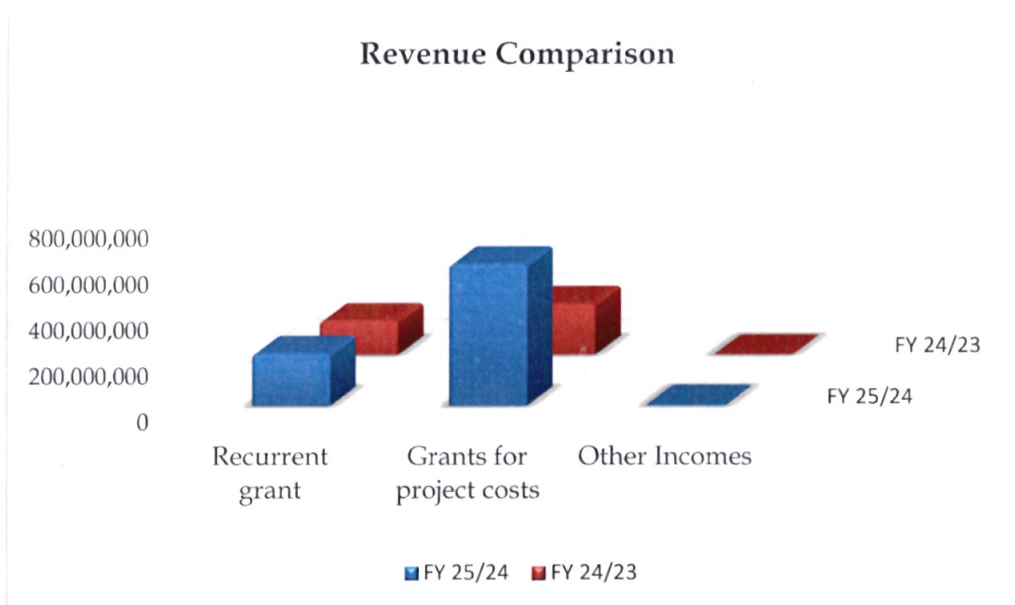
Financial Performance

During the 2024/25 FY, LVNWWDA received an allocation of Kshs 1,871,585,068 from the Ministry of Water, Sanitation and Irrigation broken down into Kshs 228,985,464 for salaries and administration purposes and Kshs 1,642,599,604 for project costs.

The agency also earned Kshs 5,201,834 being miscellaneous income.

The total income for the year stood at Kshs 899,234,713 against an expenditure of Ksh 896,697,268 before depreciation. LVNWWDA transferred a total deficit of Kshs 280,892,443 after incorporating depreciation, interest due and provisions.

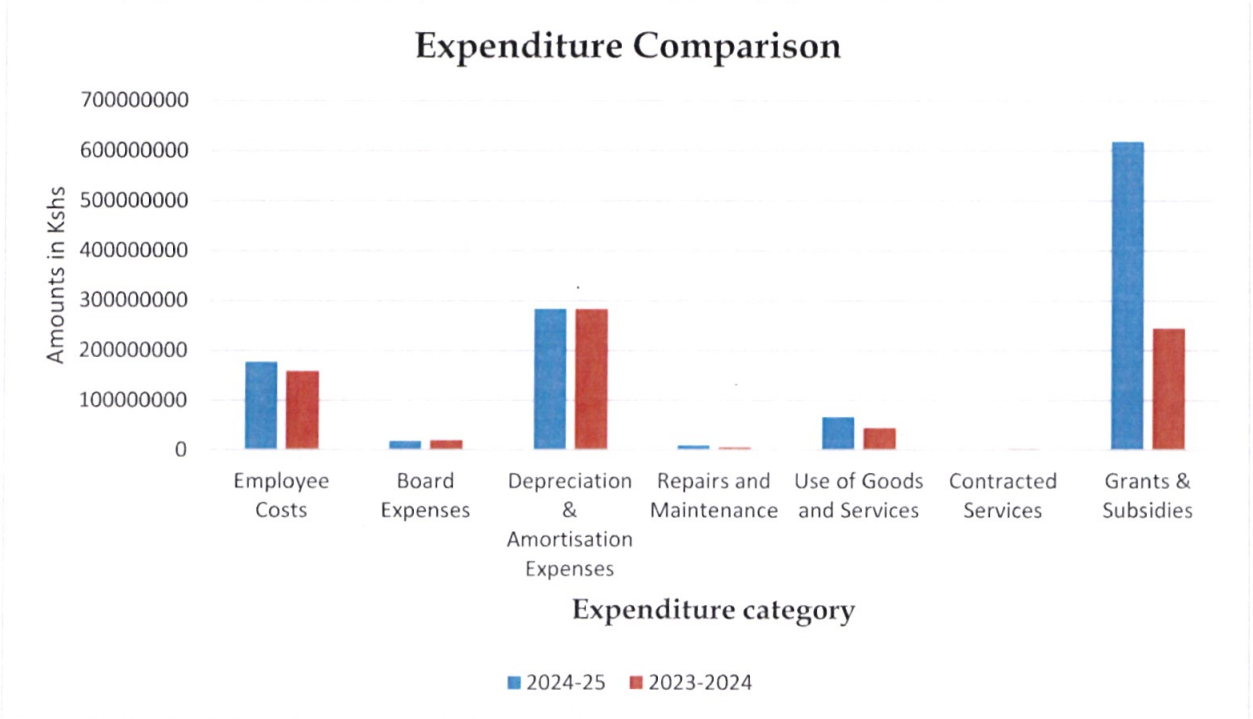
Revenue comparison



Expenditure comparison

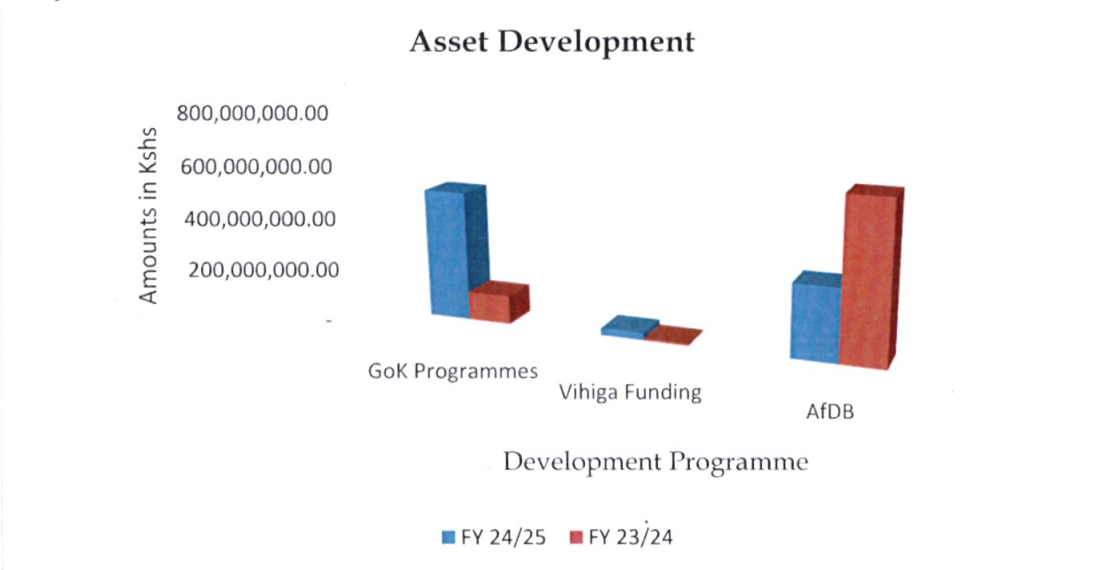
The chart below gives a breakdown of the expenditure comparison for the years 2023/24 and 2024/25:

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Asset development

LVNWWDA developed assets worth Kshs 797,290,138 in the 2024/25 FY most of which are in work in progress. The chart below gives a breakdown of capital works in progress during the year;



Major Risks

LVNWWDA is faced with the following risks:

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

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Projects implemented or were ongoing in the year

Developing innovative and sustainable water services solutions that transform life and inspire progress underpins our corporate mission. In the period under review, and as part of implementation of our strategic plan, LVNWWDA continued to implement the following key projects, during the 2024/2025 FY:

- i. Malava Water Supply projects
- ii. Mt Elgon-Busia Gravity Water project
- iii. AfDB-Malaba water & sewerage, Kiptogot Kolongolo
- iv. Mosongo Water Supply
- v. Alupe Water Project

Compliance with statutory requirements

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

Key challenges

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

- i. Inadequate budgetary allocations and budget cuts without further reference to ourselves which resulted to low disbursement in the year
- ii. Cash flow challenges owing to delayed remittances from the Ministry of Water and Sanitation
- iii. Non-remittance by WSPs of the amounts owed by them
- iv. Huge deficits and non-repayment of loans arising out of ownership of assets being vested with the Agency, while economic benefits of the assets accruing to Water service providers

10. Environmental and Sustainability Reporting

i) Sustainability strategy and profile

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

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

LVNWWDA executes the objectives through the following:-

- (a) Our people, values and processes;
- (b) Stakeholder engagement;

Our People, Values and Processes

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

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Diversity and Equal Opportunity

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

Stakeholder Engagement

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

Reporting

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

Customer Focus

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

A service charter was rolled out, and cascaded to all departments and staff and they are displayed at various strategic places in the organization. The compliance to the service charter is monitored on a regular basis.

ii) *Environmental performance*

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

LVNWWDA as a state corporation with key functions Undertake the development, maintenance and management of water and sanitation services infrastructure is cognizant

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of the possible impacts (both positive and negative) resulting from interaction of the organization's activities with both physical and social environment.

As such, LVNWWDA is committed to environmental conservation and protection as well as safeguarding of health and safety of workers within the premises and projects through an integrated approach of Environmental and Social Commitment Plan (ESCP) that elaborates our ISO commitment. This incorporates Environment and Social Management Plan, Health and Safety Management Plans, Climate and disaster risk reduction strategies. Our policy statement, the organization commits to protecting the environment, preserving the health and safety of employees and communities, and ensuring safe development of water and sanitation infrastructure within its area of jurisdiction.

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

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

Approach

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

- Operational Environmental Policy
- Resettlement Action Policy
- Public Participation Policy
- Electronic Waste Policy

ISO Certifications

Lake Victoria North Water Works Development Agency is certified in Quality Management Systems ISO 9001:2015 Environmental Management System 14001:2015 Environmental Management Systems 14001:2015 with objectives and policies that are relevant to its context, products, services and any interested parties for the development, maintenance and management of water and sanitation infrastructures.

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Environmental Unit

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

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

LVNWWDA participatory approach has ensured best-delivered projects supported by International Financial partners. However, implementing international safeguards has exposed gaps in our local regulatory frameworks causing project delays, litigations and cost of claims. The Agency has now introduced Environmental and Social Commitment Plan as part of Environment and Social Safeguards requirements in the project cycle.

Pollution prevention and abatement

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

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

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

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

Climate change mitigation and adaptation

LVNWWDA has identified variety of risks cutting across its operations, and has developed robust review and update program to ensure that it implements projects with measures to

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

LVNWWDA is also implementing medium and small dams to provide water storage thereby providing adaptation measures to water scarcity resulting from climate change. Community projects focusing on rainwater harvesting and development of water pans also provide additional water storage to help communities and schools deal with water scarcity. The Agency also undertakes tree planting within the area of jurisdiction as a climate change adaptation measure to act as carbon sinks. The Agency adopts technologies that mitigate climate change like solar energies, gravity or non-motorized facilities as well as supporting research and development to reduce ozone depletion during the project cycles.

Promoting Environmental protection and conservation through renewal energy and recycling through innovative research with partnerships and stakeholders. LVNWWDA continually work together with partners such as County governments, community members, WRA, NEMA, Water Resource Users Associations, local administrations etc. within its area of jurisdiction to enhance participation of stakeholder and sustainability of projects.

Environmental education and awareness

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

Social sustainability activities

Socio-economic impact assessment

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

Where people's assets and properties are affected, the LVNWWDA ensures that appropriate Resettlement Action Policy (RAP) is applied hence, there is prior and informed consent from the project affected persons, there is prompt and adequate compensation for any loss; and

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where people are resettled to enable a project to proceed, the Agency ensures that their post-resettlement livelihoods are restored and enhanced.

Other Social sustainability activities include:

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

Environment and social sustainability management systems

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

Environmental and social Management Plans

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

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

Health and safety management plans

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

Grievance Redress Mechanism.

LVNWWDA recognizes the need for a Grievance Redress mechanism (GRM) throughout the project implementation period to identify disputes in good time and allow them to be resolved in a transparent and accountable manner. Compensation based disputes are issues likely to occur during and after project implementation period, hence the need for GRM system. Project financing institutions guidelines and policies also call for appropriate and accessible grievance handling mechanisms for project-affected persons. Appropriate Grievance Redress System is developed and maintained in the entire project cycle.

Conclusion

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

iii) *Employee welfare*

Our Culture and Values

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

All employees are inducted and sensitized on relevant laws and policies to enhance proper work ethics and adherence to code of conduct.

Employee Welfare

The Agency has Human Resource instruments that guide recruitment process. These include; the Organization Structure and Staff Establishment, Career Guidelines and the Human Resource Policy and Procedures Manual. The Human Resource Policy and Procedures Manual ensures that the Agency takes into account consideration of women, youth, Persons With Disabilities and Minority groups when undertaking recruitment. Further, the policy emphasizes on gender inclusivity in all functions of Human Resource Management. Currently, the Agency is in the process of reviewing its Human Resource Instruments to enhance compliance to various laws and regulation and mitigate the existing gaps.

The Agency has performance management system in place that ensure continuous monitoring and evaluation of staff performance in order to enhance productivity. Further, the Agency has a Performance Reward and Sanctions Policy that ensures employees are motivated towards provision of excellent services.

The Agency has also put in place measures to ensures continuous capacity development of its employees in order to enhance their skills and competence hence improve efficiency

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and effectiveness in service delivery. In allocation of training opportunities, the Agency ensures equal opportunity to all employees hence adhering to gender inclusivity. The Agency's HR Policy and Procedures manual also provides for on the job training through coaching and mentorship in enhancing skills and competencies of its employees.

The Agency has Career Guidelines that has clear roles and responsibilities for each job role, clear job specifications and job requirements hence facilitates employee career growth through promotions, re-designations, redeployments and recruitment.

The Agency project implementation complies with Environment, Safety and Health as required by Occupational Safety and Health Act of 2007, (OSHA). The Agency has Management Committee that develop and implement health and Safety requirements in the workplace, and the workplace is registered as required by law.

LVNWWDA continued to ensure a healthy workforce through provision of medical care through a comprehensive health insurance/medical cover for all staff and their nuclear families through a competitively sourced medical cover. Further, wellness programmes are undertaken quarterly in order to enhance both physical and mental health of all employees. The Agency has also continually ensured timely remittance of statutory deductions including NHIF in order to ensure prompt access to all medical services by all staff.

Labour Relations

LVNWWDA continued to encourage open communications and frequent dissemination of information with an aim of fostering a positive work environment; all employees are encouraged to participate actively in the free flow of questions, answers and ideas. Monthly meetings are held for Senior Management Staff while quarterly meetings for all staff.

Staff Training and Development

To ensure that LVNWWDA not only attracts but also retains the best talent, the Agency aims to nurture employee's careers by making relevant opportunities accessible and helping them to develop skills, knowledge and experience in different functions or specialization. Staff training needs are identified annually during performance appraisals and training needs assessments then they are factored in the training plan for implementation.

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

Employee Engagement

The staff are committed to the realization of the LVNWWDA's mandate. Focus is on delivering an employee experience where staff feel strongly connected to the realization of Agency's mandate. All employees are engaged through provision of clear roles and responsibilities, frequent feedback, proper coordination between departments and participation to various activities undertaken in the Agency.

Occupational Health and Safety

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

During the year, the Agency organized several workshops to sensitize staff. Further, the Agency has ensured provision of safe work environment, working equipment and tools and other required facilitations in order to ensure employees are productive.

All employees are covered against Work Injuries and accidents through provision of Work Injury Benefit Act (WIBA)/Group Life covers.

iv) *Market place practices-*

a) *Responsible competition practice.*

The Agency ensures responsible competition practices by strictly adhering to Article 227 of the constitution of Kenya which dictates that procurement of goods and services is done within the principles of fairness, equity, transparency, competitiveness and cost effectiveness

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b) *Responsible Supply chain and supplier relations*

The Agency recognizes the value of every stake holder in the supply chain in the course of implementing its mandate. In order to accomplish better supplier management relationships, the Agency strives to implement best practice like clearly defining the Agency's expectations and selling out the deliverables from Contractors and supplier, adherence to the terms of the contacts signed, proper and management of costs and time of the contracts among other practices. The agency engaged in sensitization and training of special groups (Youth, Women and Persons Living with Disabilities). All the agency stakeholders have been engaged in key Agency activities including strategic planning and climate change initiatives.

c) *Responsible marketing and advertisement or Responsible engagement with the citizens.*

Lake Victoria North Water Works Development Agency believes in Marketing and advertisement which plays a key role in any organisation set up. It plays a major role of ensuring that stakeholders across the globe gets an understanding of what the organisation does in specific area of interest or as per the core mandate for its formation.

In the year under review, the Agency came up with various ways of ensuring that whatever it does reaches a wide range of people in our area of coverage and beyond. Such efforts and strategies employed include; revamping of the Agency's Social media pages, that is, X formerly twitter and facebook pages by ensuring that all activities carried are uploaded on good time to reach our stakeholders who follows us; Revamping of the Agency's website by regularly updating news of what happens and branding of all completed projects as per our approved Branding strategy. The Agency however experienced challenges in its corporate branding strategies; lack of access to reliable web traffickers, lack linkage between the agency's website and social media pages and delayed disbursement of funds to facilitate corporate activities.

d) *Product stewardship or Awareness creation*

The Agency ensures consumer rights are safeguarded by making it mandatory that any products or works adhere to the set standards in terms of quality.

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As a means to safeguard consumer rights, the Agency normally constitutes adhoc inspection and acceptance committees to inspect and ensure that the supplied goods, services and works are as per the contract and the set national standards.

v) *Corporate Social Responsibility / Community Engagements*

The Agency gives much credit to Corporate Social Responsibility where it integrates social and environmental concerns in its business operations and interactions with their stakeholders.

In the year under review, the Agency engaged in a number of CSR activities in its area of jurisdiction. The Agency planted trees in various areas both as CSR and as adherence to presidential clarion call. Such areas include, Mt. Elgon Forest and Kaptagat Forest. At the end of Financial year, the Agency planted 10,000 tree seedlings. As part of CSR, the Agency participated and celebrated Mazingira Day where staff were involved in cleaning of Kakamega town. We also participated in a number of regional events, that is, Kitale ASK show, Kakamega ASK Show, Water and Sanitation International Conference And Kenya Sanitation Governance conference and exhibitions where we displayed to stakeholders what the Agency does as guided by our core mandate.

**Lake Victoria North Water Works Development Agency
Annual Report and Financial Statements for the year ended June 30, 2025.**

11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of the LVNWWDA's affairs.

i) Principal activities

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

ii) Results

The results of the Agency for the year ended June 30, 2025, are set out on page 1-5

	Kshs
Surplus/ (Deficit) before depreciation and finance costs	2,537,445
Less: Depreciation	(284,893,083)
Surplus/ (Deficit) before finance costs	<u>(282,355,638)</u>

Net deficit for the period

The Agency registered a Deficit of **Kshs. 282,355,638** during the year.

iii) Directors

The members of the Board of Directors who served during the year are shown on page x to xiv.

iv) Surplus remission

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

v) 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. The Auditor general carried out the audit for the period ended June 30, 2025.

By Order of the Board



.....
CS Elizabeth Ngala

Corporation Secretary/Secretary to the Board

**Lake Victoria North Water Works Development Agency
Annual Report and Financial Statements for the year ended June 30, 2025.**

12. Statement of Directors Responsibilities

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

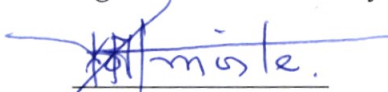
The Directors are responsible for the preparation and presentation of the Agency's financial statements, which give a true and fair view of the state of affairs of the Agency for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Board; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Agency; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Agency's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act 2012 and the State Corporations Act. The Directors are of the opinion that the Agency's financial statements give a true and fair view of the state of Agency's transactions during the financial year ended June 30, 2025, and of the Agency's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Agency, which have been relied upon in the preparation of the Agency's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Agency's financial statements were approved by the Board on 26th August, 2025 and signed on its behalf by:



John Otee Imoite

Chairman of the Board



Wamalwa M. Joel

Chief Executive Officer

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON LAKE VICTORIA NORTH WATER WORKS DEVELOPMENT AGENCY FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Lake Victoria North Water Works Development Agency set out on pages 1 to 47, which comprise of the statement of

Report of the Auditor-General on Lake Victoria North Water Works Development Agency for the year ended 30 June, 2025

financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Lake Victoria North Water Works Development Agency as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Failure to Set Aside Retention Funds in the Retention Account

The statement of financial position indicates current liabilities balance of Kshs.3,817,843,996. During the year under review, the Agency implemented community development projects amounting to Kshs.510,845,143, attracting a 10% retention fees of the payments of Kshs.51,084,514. However, the retention funds were not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of current liabilities balance of Kshs.3,817,843,996 could not be confirmed.

2. Long Outstanding Receivables from Exchange Transactions

The statement of financial position and Note 17 to the financial statements reflect receivables from exchange transactions balance of Kshs.458,274,269. However, the ageing analysis provided for audit revealed that receivables amounting to Kshs.539,149,199 had been outstanding for more than three (3) years. Further, it was noted that the Agency does not have in place a debts policy to guide in effective monitoring and recovery of outstanding debts. This was contrary to Regulation 90(1) of the Public Finance Management (National Government) Regulations, 2015 requires Accounting Officers to take all reasonable steps to ensure that all money due to the entity is collected and properly accounted for. In addition, good financial management practices require entities to maintain an effective debt management policy to guide the collection and monitoring of receivables.

In the circumstances, the recoverability and appropriateness of classification of receivables from exchange transactions balance of Kshs.458,274,269 as current assets could not be confirmed.

3. Unsupported Long-Term Loans Due

The statement of financial position and Note 25 to the financial statements indicate long-term loans repayments due balance of Kshs.3,335,372,075. The loans relate to a KFW Loan-Nzoia Phase I of Kshs.1,292,234,731, KFW Loan-Nzoia Phase II of Kshs.1,401,157,559 and Water Supply and Improvement Project (WaSSIP) loan of Kshs.641,979,785. However, the loan amortization schedules were not provided for audit review.

In the circumstances, the accuracy, completeness and validity of long-term loans repayments due balance of Kshs.3,335,372,075 could not be confirmed.

4. Material Uncertainty Relating to Sustainability of Services

The statement of financial performance reflects a deficit of Kshs.282,355,638 and financial year 2023-2024 deficit of Kshs.349,041,480. The accumulated deficit increased from Kshs.4,006,818,909 in 2023/2024 to Kshs.4,289,174,547 during the year under review. In addition, current liabilities balance of Kshs.3,817,843,996 exceeded current assets balance of Kshs.1,210,410,065 resulting to negative working capital of Kshs.1,440,306,964.

In the circumstances, the Agency is technically insolvent and its sustainability depends on the assumption that it will continue to receive financial support from the Government, bankers and creditors. This information has not been disclosed in the financial statements.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects recurrent expenditure budget and actual on comparable basis amounts of Kshs.1,205,059,355 and Kshs.1,012,033,425 respectively, resulting in an under-expenditure of Kshs.193,025,930 or 16% of the budget. Further, the statement indicates actual capital expenditure of Kshs.798,776,538 against an approved budget of Kshs.1,673,011,318, resulting in an under-expenditure of Kshs.874,234,780 or 52% of the budget.

In the circumstances, the under-expenditure affected the planned activities and implementation of projects and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the previous year's audit, several issues were raised under Report on the Financial Statements, Emphasis of Matter and Report on Lawfulness, Effectiveness in Use of Public Resources as stated in **Appendix I**. However, the issues had not been resolved and no explanation was provided for the delay in resolving the issues.

In the circumstances, the Management commitment to accountability in the management of public resources could not be confirmed.

Other Information

Management is responsible for the Other Information set out on page vi to xlv which comprise of Key Agency Information and Management, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Agency's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Long Outstanding Trade and Other Payables

The statement of financial position indicates trade and other payables from exchange transactions balance of Kshs.204,466,609 and as disclosed in Note 21 to the financial statements. The balance includes payables amounting to Kshs.202,367,792 which were between one (1) and two (2) years old. Management did not provide a detailed explanations or evidence of plans for settlement of these long-outstanding debts. This was contrary to Regulation 42(1)(a) of the Public Finance Management (National Government) Regulations, 2015 requires that debt service payments shall be a first charge on the Consolidated Fund and the Accounting Officer shall ensure that the Government does not default on debt obligations.

In the circumstances, failure to settle long-outstanding payables may result in accumulation of liabilities, potential legal claims from creditors, and misstatement of the financial position of the entity.

2. Slow Progress in Construction of Water Infrastructure at Mosongo Chebai -Top Suwerwa Water Project

During the year under review, the Agency commenced water infrastructure works for Mosongo Chebai–Top Suwerwa water project as per the contract agreement dated 11 February, 2025, for a contract duration of twenty-four (24) months. The contract sum was Kshs.643,354,060. However, a physical inspection of the project revealed that water tank excavation works had been completed. However, the water infrastructure design was still under amendment, and no works had commenced on the water catchment area and treatment plants. This was attributed to unresolved issues with affected families, raising concerns whether adequate public participation and community involvement was conducted.

Further, an internal memo from Engineer in-charge of the project to the Agency’s Chief Executive Officer dated 25 June, 2025 indicated that the Agency risked legal action for breach of contract. The Agency attributes the delay in execution to objection by land owners of the original sites for intake and water treatment plant to sell part of their land

parcels for the project despite advance payment of Kshs.35,689,195 having been made to contractor. This was contrary to *Regulation 138(1) of the Public Procurement and Asset Disposal Regulations, 2020* which states that the contract implementation team shall have a contract management plan that provides for review meetings, and *Regulation 140(1) which provides that the head of procurement function shall prepare a monthly progress report of all procurement contracts and submit the same to the accounting officer in accordance with Section 152 of the Act.*

In the circumstances, value for money was not achieved from the project.

3. Delayed Rehabilitation and Augmentation of Alupe Dam Water Supply and Sanitation Project

The Agency awarded a tender for the rehabilitation and augmentation of Alupe dam water supply and sanitation project *contract No. LVNWWDA/GK/BSA/ALUPE DAM/2024-2026/01* at a contract sum of Kshs.469,666,858. The contract was signed on 27 September, 2024, and the site was officially handed over to the contractor on 06 April, 2024. A physical inspection conducted on 09 October, 2025 revealed that the contractor had not commenced any works on site, despite receiving an advance payment of Kshs.66,852,609 on 3 June, 2025. No justification was provided for the delay in commencement of works. This was contrary to Section 147 of the Public Finance Management Act, 2012 and Regulation 145 of the Public Procurement and Asset Disposal Regulations, 2020, which requires payments to be made for work actually executed and certified. Further, contracts should have commenced and progressed in line with the agreed timelines to ensure value for money and timely service delivery.

In the circumstances, the Agency risks loss of public funds through payment for works not commenced. The delay may lead to cost escalation and denial of intended water supply and sanitation services to the community.

4. Unconfirmed Works on Last Mile Connectivity Project in Eldoret Town

The contract for construction of last mile connectivity works for Eldoret City at a contract sum of Kshs.504,201,143 was awarded to a firm on 20 November, 2022. The project duration was twelve (12) months and expected completion date was 31 March, 2024. However, physical verification revealed that the project was inconclusive since the Agency could not explain certain elements of the project managed by Central Rift Valley Water Works Development Agency. Additionally, the terms of engagement between Agency and Central Rift Valley Water Works Development Agency could not be confirmed, despite the works being executed within the jurisdiction of the latter. This was contrary to Article 227(1) of the Constitution of Kenya, 2010, which requires that when a State organ or any other public entity contracts for goods or services, it shall do so in accordance with a system that is fair, equitable, transparent, competitive, and cost-effective, and Article 201(d) which stipulates that public money shall be used in a prudent and responsible way.

In the circumstances, there is possibility for payment for works not done.

5. Unconfirmed Projects Ownership

The statement of financial position and Note 20 to the financial statements reflect property, plant, and equipment balance of Kshs.17,174,089,212. The balance includes Nabikoto Kamukuywa springs water project valued at Kshs.4,136,243 and Kapanga Kibisi Nabiswa cluster project valued at Kshs.24,997,830.

The physical verification revealed that the projects were initially implemented by the County Executive of Bungoma and later taken over by Lake Victoria North Water Works Development Agency. However, the handing over reports, and official agreement between the two entities were not provided for audit review. Additionally, it was noted that existing county government infrastructure was already in place at the project sites, making it difficult to ascertain the extent of work undertaken by the Agency.

Furthermore, the projects were constructed on private land, and the landowners were observed to be conducting farming activities within the water catchment areas, which poses a risk to the sustainability of the projects. There was no evidence provided to confirm how the Agency engaged the local communities regarding land use and project sustainability. This was contrary to Article 227(1) of the Constitution of Kenya, 2010, which requires that when a State organ or any other public entity contracts for goods or services, it shall do so in accordance with a system that is fair, equitable, transparent, competitive, and cost-effective.

In the circumstances, there was a risk of double payment for the same projects and potential disputes over land ownership and project sustainability.

6. Failure to Institute Project Completion Mechanisms on Delayed Implementation of Projects

The statement of financial performance and Note 15 to the financial statements indicate grants and subsidies (community development) expenditure amounting to Kshs.618,588,286. The expenditure includes interim payment certificate (IPC) number 1 dated 21 August, 2024 for civil works, pipelines and sewerage works in respect to construction of Malava Gravity Scheme Water Project, which comprises Malava town water supply project, Namagara water supply project, and Ishirugu water supply project. These projects were contracted through multi-year contracts. However, the audit revealed the following anomalies:

- a) Malava town water supply project awarded to lot 1 contractor at a contract sum of Kshs.886,172,668.

The project started on 23 September, 2023 with an expected completion date of 22 June, 2025. A physical verification done on 9 October, 2025 established no activity at the main treatment plant, and minimal activities at the construction of ablutions blocks. At

the time of audit, which was four (4) months after the expected completion date, the project was ongoing and certified at 60% completion.

- b) Namagara water supply project awarded to lot 2 contractor at a contract sum of Kshs.844,576,534.

The project started on 23 September, 2023 with an expected completion date of 22 April, 2025. A physical verification done on 9 October, 2025 established the laying of foundation at the main treatment plant was ongoing. The construction of intake weir, construction of rising main tanks, pressure control tanks and laying of pipes had not started, six (6) months after the contractual period had lapsed. The project was noted to be running on extended time with no clear guidelines on completion dates. The project was certified at 35% complete.

- c) Ishirugu water supply project awarded to lot 3 contractor at a contract sum of Kshs.554,518,631.

The project started on 25 June, 2024 with an expected completion date of 25 December, 2025. The audit verification on 9 October, 2025 established the contractor was on site, and majority of the works were at an advanced stage and project was certified at 70% completed.

This was contrary to Regulation 23 of the Public Procurement and Asset Disposal Regulations, 2020 which states that, in addition to responsibilities provided for under section 44(2) and in accordance with section 44(2)(j) of the Act, an accounting officer shall —ensure that procurement and asset disposal contracts are entered into lawfully and implemented accordingly; take appropriate measures to resolve any issues arising from investigations, inspections, assessments and reviews pursuant to Sections 38 and 43 of the Act.

In the circumstances, Management was in breach of law.

7. Un-surrendered Imprests

The statement of financial position indicates receivables from non-exchange transactions balance of Kshs.361,551,340 and as disclosed in Note 18 to the financial statements which includes outstanding imprests balance of Kshs.643,001. However, the imprests were not surrendered by 30 June, 2025 which is the financial year end. This was contrary to Regulation 93(5) of the Public Finance Management (National Government) Regulations, 2015 which requires that a holder of a temporary imprest shall surrender or account for it within seven (7) days after returning to duty station. Further, Regulation 93(6) provides that any officer who fails to account for an imprest shall have the amount recovered from their salary or other emoluments.

In the circumstances, failure to surrender or recover outstanding imprests may lead to loss of public funds and inaccurate reporting of receivables in the financial statements.

8. Non-Compliance with Laws on Affirmative Action

Review of records maintained by Management revealed that the Agency had sixty-four (64) employees as at 30 June, 2025. However, it was noted that thirty-seven (37) members of staff or 58% were from one dominant ethnic community. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community.

Further, only one non-technical employee on permanent and pensionable terms was identified as a Person with Disability (PWD). This is below the 5% threshold recommended under Section 21(2) of the Persons with Disabilities Act, 2025.

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

9. Long Outstanding Borrowings

The statement of financial position reflects borrowings balance of Kshs.12,820,617,140 and as disclosed in Note 27 to the financial statements. The loans comprised of Kshs.3,264,087,213 from KFW, Kshs.4,266,594,756 from International Development Agency (IDA), Kshs.1,721,054,595 from Belgium, and Kshs.3,568,880,577 from African development bank (AfDB). However, the Agency had not been making any loan repayments in respect to Belgium loan for over four (4) years in a row, and no explanation was provided for non-repayment of the loan.

This was contrary to Regulation 42(1)(a) of the Public Finance Management (National Government) Regulations, 2015 which states debt service payments shall be a first charge on the Consolidated Fund and the Accounting Officer shall ensure this is done to the extent possible that the Government does not default on debt obligations.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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 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 controls, 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 the 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 sustain services, disclosing, as applicable, matters related sustainability of services and using the application basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 December, 2025

Appendix I

Unresolved Prior Year Matters



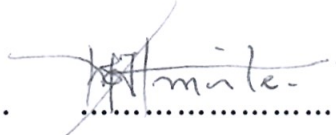
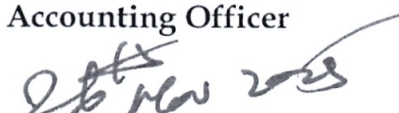
Reference No. of the Auditor-General's Report	Title of Audit Issue
	Report on the Financial Statements
1	Long Outstanding Receivables from Exchange Transactions
2	Unsupported Long-Term Loan Repayments Due
3	Unsupported Borrowings
4	Material Uncertainty Relating to Sustainability of Services
	Emphasis of Matter
	Budgetary Control and Performance
	Report on Lawfulness and Effectiveness in the Use of Public Resources
1	Un-surrendered Imprests.
2	Long Outstanding Trade and Other Payables
3	Staff in acting Capacity for More than Six Months
4	Noncompliance with Law on Ethnic Diversity
5	Stalled Kingwal-Segut School Water Project
6	Sironoi Water Project

Lake Victoria North Water Works Development Agency
Annual Report and Financial Statements
for the year ended June 30, 2025.

14. Statement of Financial Performance for the year ended 30 June 2025

Description	Notes	2024 - 2025 Kshs	2023 - 2024 Kshs
Revenue from non-exchange transactions			
Transfers from other Governments entities	6	847,574,086	371,000,000
		847,574,086	371,000,000
Revenue from exchange transactions			
Other Income	7	5,201,834	1,091,895
Loan Repayment Income	8	46,458,793	42,106,451
		51,660,627	43,198,354
Total revenue		899,234,713	414,198,354
Expenses			
Employee Costs	9	177,736,455	159,855,370
Board Expenses	10	19,515,514	20,358,811
Depreciation and Amortization Expense	11	284,893,083	282,923,672
Repairs and Maintenance	12	10,230,544	6,292,595
Use of Goods and Services	13	67,639,165	45,624,111
Contracted Services	14	2,987,304	3,730,859
Grants & Subsidies (Community Development)	15	618,588,286	244,454,404
Total Expenses		1,181,590,351	763,239,834
Other gains/(losses)			
Surplus/(Deficit) before tax		(282,355,638)	(349,041,480)
Taxation		-	-
Surplus/(Deficit) for the year		(282,355,638)	(349,041,480)

The notes set out on pages 7 to 49 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:


		
.....
Wamalwa M. Joel	CPA Anthony Kisaka	John Otee Imoite
Accounting Officer	Head of Finance	Chairman of the Board
	ICPAK M/No: 7014	
Date	Date	Date

Lake Victoria North Water Works Development Agency
Annual Report and Financial Statements
for the year ended June 30, 2025.

15 Statement of Financial Position as at 30 June 2025

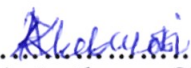
Description	Notes	2024 - 2025 Kshs	2023 - 2024 Kshs
Assets			
Current Assets			
Cash and cash equivalents	16	388,850,711	4,938,051
Receivables from exchange transactions	17	458,274,269	469,477,064
Receivables from non-exchange transactions	18	361,551,340	541,834,875
Inventories	19	<u>1,733,745</u>	<u>2,419,940</u>
Total Current Assets		<u>1,210,410,065</u>	<u>1,018,669,929</u>
Non-Current Assets			
Property, plant and equipment	20	<u>17,174,089,212</u>	<u>16,660,205,757</u>
Total Non-Current Assets		<u>17,174,089,212</u>	<u>16,660,205,757</u>
Total Assets (A)		<u>18,384,499,277</u>	<u>17,678,875,686</u>
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	21	204,466,609	208,680,541
Provisions	22	3,960,000	3,960,000
Employee benefit obligation	23	22,091,653	30,302,524
Taxation	24	22,056,759	14,355,369
Long term loans due	25	3,335,372,075	2,922,990,155
Deferred Income	26	<u>229,896,899</u>	<u>0</u>
Total Current Liabilities		<u>3,817,843,996</u>	<u>3,180,288,590</u>
Non-Current Liabilities			
Borrowings	27	<u>12,820,617,140</u>	<u>12,992,347,019</u>
Total Non-Current Liabilities		<u>12,820,617,140</u>	<u>12,992,347,019</u>
Total Liabilities (B)		<u>16,638,461,136</u>	<u>16,172,635,609</u>
Net Assets(A-B)		<u>1,746,038,141</u>	<u>1,506,240,077</u>
Represented by:			
Capital Fund		6,035,212,687	5,513,058,985
Accumulated Surplus/(Deficit)		<u>(4,289,174,547)</u>	<u>(4,006,818,909)</u>
Total Net Assets		<u>1,746,038,141</u>	<u>1,506,240,076</u>

The financial statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:


.....
Wamalwa M. Joel
Accounting Officer

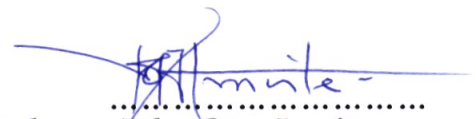
Date

26th June 2025


.....
CPA Anthony Chebulobi Kisaka
Head of Finance

Date

ICPAK Member Number:7014


.....
John Otee Imoite
Chairman of the Board

Date

Lake Victoria North Water Works Development Agency
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15. Statement of Changes in Net Assets for the year ended 30 June 2025

Description	CAPITAL FUND								Total Kshs
	Grants	Grants KIDDP	Grants KFW	Grants Worldbank	Grants - KOICA	Grants- MIC	Grants GoK	Accumulated surplus/(Deficit)	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
As at July 1,2023	25,924,938	361,956,401	221,783,948	1,267,995,799	253,058,278	59,557,819	2,894,781,802	(3,657,952,565)	1,427,106,420
Prior period adjustment	-	-	-	-	-	-	-	175,136	175,136
Capital/development grants received during the year	-	-	-	-	-	-	428,000,000	-	428,000,000
Surplus/ (deficit) for the year	-	-	-	-	-	-	-	(349,041,480)	(349,041,480)
As at June 30, 2024	25,924,938	361,956,401	221,783,948	1,267,995,799	253,058,278	59,557,819	3,322,781,802	(4,006,818,909)	1,506,240,076
As at July 1,2024	25,924,938	361,956,401	221,783,948	1,267,995,799	253,058,278	59,557,819	3,322,781,802	(4,006,818,909)	1,506,240,076
Capital/development grants received during the year	-	-	-	-	-	0	522,153,702	-	522,153,702
Surplus/ (deficit) for the year	-	-	-	-	-	0	-	(282,355,638)	(282,355,638)
As at June 30, 2025	25,924,938	361,956,401	221,783,948	1,267,995,799	253,058,278	59,557,819	3,844,935,504	(4,289,174,547)	1,746,038,140

Lake Victoria North Water Works Development Agency
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17. Statement of Cash Flows for the year ended 30 June 2025

Description	Notes	2024 - 2025 Kshs	2023 - 2024 Kshs
Cash flows from operating activities			
Receipts			
		Cumulative	
Government grants		1,372,779,695	196,000,000
Other Income		5,201,834	2,858,395
Loan Repayment Income		46,458,793	42,106,459
Levy Arrears		7,476,559	10,690,073
Total Receipts		1,431,916,881	251,654,927
Payments			
Employee costs		189,543,237	141,256,751
Board Expenses		19,515,514	20,358,816
Repairs and maintenance		11,693,739	3,492,009
Use of Goods and Services		55,492,344	38,045,866
Contracted Services		2,987,304	3,761,411
Grants & Subsidies(Community Development)		732,801,287	364,198,511
Total Payments		1,012,033,425	571,113,363
Net cash flows from operating activities	28	419,883,456	(319,458,436)
Cash flows from Investing Activities			
Purchase of property, plant & Equipment	20	(798,776,538)	(719,834,478)
Net cash flows from/(used in) Investing Activities		(798,776,538)	(719,834,478)
Cash flows from Financing Activities			
Proceeds from borrowings		271,960,717	603,921,043
Repayment of borrowings/ transfer to current liabilities	25	(31,308,677)	-
Increase in funding		522,153,702	428,000,000
Net cash flows from/(used in) financing activities		762,805,742	1,031,921,043
Net increase/(decrease) in cash and cash equivalents		383,912,660	(7,371,871)
Cash and cash equivalents at 1 July	16	4,938,051	12,309,922
Cash and cash equivalents at 30 June	16	388,850,711	4,938,051

Lake Victoria North Water Works Development Agency
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18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025

	Original budget	Adjustment	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2024 - 2025 Kshs a	2024 - 2025 Kshs b	2024 - 2025 Kshs c=(a+b)	2024 - 2025 Kshs d	2024 - 2025 Kshs e=(c-d)	f=d/c x 100
Receipts						
Government Grants	263,985,800	878,896,996	1,142,882,796	1,142,882,796	0	100%
Other Revenues	6,000,000	(700,000)	5,300,000	5,201,834	98,166	98%
Loan Repayment Income	50,000,000	(600,000)	49,400,000	46,458,793	2,941,207	94%
Levy Arrears	0	7,476,559	7,476,559	7,476,559	(0)	100%
Total Receipts	319,985,800	885,073,555	1,205,059,355	1,202,019,982	3,039,373	100%
Payments						
Employee Costs	169,650,630	21,732,889	191,383,519	189,543,237	1,840,282	99%
Boards Expenses	7,509,400	12,000,000	19,509,400	19,515,514	(6,114)	100%
Repairs and Maintenance	4,764,143	6,000,000	10,764,143	10,230,544	533,599	95%
Use of Goods and Services	30,633,000	27,267,111	57,900,111	55,492,344	2,407,767	96%
Contracted Services	3,928,627	(950,000)	2,978,627	2,987,304	(8,677)	100%
Grants & Subsidies(Community Development)	103,500,000	819,023,555	922,523,555	734,264,482	188,259,072	80%
Total Payments	319,985,800	885,073,555	1,205,059,355	1,012,033,425	193,025,930	84%
Capital Expenditure Payments	649,000,000	1,024,011,318	1,673,011,318	798,776,538	874,234,781	48%
Surplus	(649,000,000)	(1,024,011,318)	(1,673,011,319)	(608,789,981)	(1,064,221,338)	

Lake Victoria North Water Works Development Agency
Annual Report and Financial Statements
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Budget notes

1. The changes between original and final budget is as a result of increment on our recurrent and development budget by the exchequer.

Budget Reconcilliation

	Description of Particulars	Amount in Kshs
	Actual Surplus/deficit Amounts as per the statement of Budget	(608,789,981)
1	Borrowings Received during the year	271,960,717
2	Loan payments during the year	(31,308,677)
3	Increase in funding	752,050,601
4	Opening cash and cash equivalent	4,938,051
	Closing Cash and Cash Equivalent as per the statement of Cash flows	388,850,711

**Lake Victoria North Water Works Development Agency
Annual Reports and Financial Statements
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19. Notes to the Financial Statements

1. General Information

The Agency is established by and derives its authority and accountability from Water Act 2016. The Agency is wholly owned by the Government of Kenya and is domiciled in Kenya. The Agency's principal activity is to develop, manage and maintain water and sewerage infrastructure.

2. Statement of Compliance and Basis of Preparation

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

The Agency did not early – adopt any new or amended standards in the financial year.

**Lake Victoria North Water Works Development Agency
Annual Reports and Financial Statements
for the year ended June 30, 2025.**

Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Taxes, Levies and fines

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Agency and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

The Agency recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when

**Lake Victoria North Water Works Development Agency
Annual Reports and Financial Statements
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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Agency.

Interest income

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

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Agency's right to receive payments is established.

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 of Kshs 797,985,800 for FY 2024-2025 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Agency upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Agency recorded additional appropriations of Kshs 1.25 billion on the 2024-2025 budget following the governing body's approval.

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

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Budget information (continued)

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 cash flows has been presented on page 5 these financial statements.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the *Agency* operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. 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

**Lake Victoria North Water Works Development Agency
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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable *entity* and the same taxation authority.

Sales tax

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

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ii) 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

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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

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

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Agency recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the *Agency*. Assets held under a finance lease are # capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The *Agency* also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance

**Lake Victoria North Water Works Development Agency
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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the *Agency* will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

g) Intangible assets

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

h) Biological Assets

The entity recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will flow to the entity, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

i) Research and development costs

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

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

- 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.

j) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Agency does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Agency's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

a) Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments.

Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Impairment

The Agency assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The Agency recognizes a loss allowance for such losses at each reporting date.

b) Financial liabilities

Classification

The Agency classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

k) 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.
- 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

**Lake Victoria North Water Works Development Agency
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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Agency.

l) Provisions

Provisions are recognized when the Agency has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Agency expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

m) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The Agency recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the Agency will incur in fulfilling the present obligations represented by the liability.

n) Contingent liabilities

The Agency does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

o) Contingent assets

The Agency does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events

**Lake Victoria North Water Works Development Agency
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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

not wholly within the control of the Agency in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

p) Nature and purpose of reserves

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

q) Changes in accounting policies and estimates

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

r) Employee benefits

Retirement benefit plans

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

Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

s) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

**Lake Victoria North Water Works Development Agency
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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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.

t) Related parties

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

u) Service concession arrangements

The Agency analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Agency recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Agency also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

v) 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.

w) Comparative figures

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

**Lake Victoria North Water Works Development Agency
Annual Reports and Financial Statements
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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

x) 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, 2025.

**Lake Victoria North Water Works Development Agency
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5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the *Agency's* financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made:

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Agency based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Agency. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual value

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 Agency.
- 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 were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 22. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Lake Victoria North Water Works Development Agency
Annual Reports and Financial Statements
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Notes to the Financial Statements (Continued)

6. Transfers from Other Government entities

Description	2024 - 2025 Kshs	2023 - 2024 Kshs
Unconditional Grants		
Operational Grant	228,985,800	149,000,000
Unconditional development grants	618,588,286	222,000,000
Total Unconditional Grants	847,574,086	371,000,000

The operational grant is to be utilized for recurrent activities

Unconditional development grants are for carrying out development activities that are expensed.

b) 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 grant income during the period 2024-2025 KShs	Total grant income during the period 2023-2024 KShs
Ministry of Water & Sanitation	847,574,086	229,896,899	522,153,702	1,599,624,687	507,250,000
KOICA	0		0	0	144,139,557
Total	847,574,086	229,896,899	522,153,702	1,599,624,687	651,389,557

The details of the reconciliation have been included in appendix V.

7. Other Income

Description	2024 - 2025 Kshs	2023 - 2024 Kshs
Sale of tenders, Water bowsers services & Other income	5,201,834	1,091,895
Total	5,201,834	1,091,895

8. Loan Repayment Income

Description	2024 - 2025 Kshs	2023 - 2024 Kshs
Loan Repayment Income	46,458,793	42,106,459
Total Loan Repayment Income	46,458,793	42,106,459

Lake Victoria North Water Works Development Agency
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Notes to the Financial Statements (Continued)

9. Employee costs

Description	2024 - 2025 Kshs	2023 - 2024 Kshs
Salaries and wages	113,290,643	97,159,553
Employer Contributions to Health Insurance Schemes	15,561,064	13,813,553
Employer Contributions to pension Schemes	13,261,548	11,463,299
Housing benefits and allowances	26,697,357	29,821,031
Gratuity	8,168,206	6,619,924
Other Employee Related Costs	757,636	978,013
Total Employee costs	177,736,455	159,855,372

Other Employee Related Costs includes staff recruitment cost and staff welfare expenses

10. Board Expenses

Description	2024 - 2025 Kshs	2023 - 2024 Kshs
Honoraria for chairman	960,000	960,000
Board committee & conference	18,555,514	19,398,816
Total Board Expenses	19,515,514	20,358,816

11. Depreciation and Amortization Expense

Description	2024 - 2025 Kshs	2023 - 2024 Kshs
Property, Plant and Equipment	284,893,083	282,923,672
Total Depreciation and Amortization	284,893,083	282,923,672

12. Repairs and Maintenance

Description	2024 - 2025 Kshs	2023 - 2024 Kshs
Laboratory/quality control expenses	482,845	985,402
Maintenance of equipment's	656,992	350,980
Minor alteration to building	411,345	250,465
Maintenance of computers	917,136	572,802
Monitoring and evaluation	1,227,125	2,227,948
Support to water service providers	-	247,789
Transport operating costs-MV Maintenance	6,535,101	1,657,211
Total Repairs and Maintenance	10,230,544	6,292,597

**Lake Victoria North Water Works Development Agency
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Notes to the Financial Statements (Continued)

13. Use of Goods and Services

Description	2024 - 2025 Kshs	2023 - 2024 Kshs
Electricity & Water	714,040	1,593,064
Trade shows & exhibitions	3,590,108	1,731,393
Training expenses	7,058,836	4,608,977
Workshops and meeting expenses	9,615,301	4,219,243
Security Expenses	2,557,357	2,597,650
Corporate social responsibility, publicity	5,596,774	1,840,148
Board Capacity Development	0	181,250
ISO Preparation and acquisition expenses	365,200	722,952
Work environment survey/safety	145,501	138,810
Adjustment on provisions of debtors	4,445,431	3,867,462
Travel, accommodations & subsistence	12,807,381	11,852,864
Bank Charges	701,772	422,574
Fuels and oils for motor vehicle	4,168,837	2,869,956
Motor vehicle insurance	2,917,025	919,263
Advertisement and publicity	2,684,824	745,120
Computers stationery and accessories	2,242,625	42,500
Courier and postal services	294,528	410,711
Legal and professional services	2,019,314	1,481,016
General office supplies	2,506,438	1,155,867
Publishing & printing services	-	151,040
Professional subscriptions	268,100	574,470
Telephone, Fax and mobile phones	5,540	33,940
Tender/Seek quotations	2,694,429	1,587,907
Subscription to newspapers and periodicals	0	152,240
Hospitality supplies and services and national celebration	239,803	1,658,199
Purchase of Uniforms and Clothing	-	65,500
Total Use of Goods and Services	67,639,165	45,624,115

14. Contracted Services

Description	2024 - 2025 Kshs	2023 - 2024 Kshs
Internet connections/ICT Expenses	1,453,209	2,395,663
Sanitary and cleaning materials	1,534,095	1,335,196
Total Contracted Services	2,987,304	3,730,859

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Notes to the Financial Statements (Continued)

15. Grants & Subsidies

Description	2024 - 2025 Kshs	2023 - 2024 Kshs
Community Development	618,588,286	244,343,391
Total Grants & Subsidies	618,588,286	244,343,391

16. Cash and cash equivalents

Description	2024 - 2025 Kshs	2023 - 2024 Kshs
Current Account	388,850,711	4,938,051
Savings Account	0	0
Total Cash and Cash Equivalent	388,850,711	4,938,051

Detailed Analysis of the Cash and Cash Equivalents

Financial Institution Number	Account	2024 - 2025 Kshs	2023 - 2024 Kshs
Current Account			
KCB Revenue account	1103686909	362,069,155	1,886,438
KCB Recurrent account	1103686550	4,540,183	713,087
KCB Development account	1103686313	1,454,791	530,810
Cooperative bank Development	0113609835501	161,727	27,497
Cooperative bank Gratuity	01100098355500	20,545,556	1,700,919
Cooperative bank - Retention	01141098355500	79,299	79,299
Grand Total		388,850,711	4,938,051

17. Receivables from exchange transactions

a) Receivables from exchange transactions(Current)

Description	2024 - 2025 Kshs	2023 - 2024 Kshs
WSP Debtors	545,903,563	545,903,563
Less: Repayments	6,757,364	0
Provision for bad and doubtful debts	80,871,930	76,426,499
Total current receivables	458,274,269	469,477,064

b) Ageing analysis for Receivables from exchange transactions

Description	2024 - 2025		2023 - 2024	
	Kshs	% of the total	Kshs	% of the total
	0	0	0	0
Between 1- 2 years	0	0	0	0
Between 2-3 years	0	0	0	0
Over 3 years	539,146,199	100	545,903,563	100
Total	539,146,199	100	545,903,563	100

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Notes to the Financial Statements (Continued)

18. Receivables from non-exchange contracts

Current receivables Description	2024 - 2025 Kshs	2023 - 2024 Kshs
Outstanding Imprests	643,001	996,311
Salary Advances	1,246,003	1,120,024
Contractor Debtors	225,554,379	110,301,873
Grants from Government	134,107,957	429,416,667
Total current receivables	361,551,340	541,834,875

b) Ageing Analysis- Receivables from non- exchange transactions

Description	2024 - 2025		2023 - 2024	
	Kshs	% of the total	Kshs	% of the total
Between 1- 2 years	361,551,340	100	541,834,875	100
Between 2-3 years	0	0	0	0
Over 3 years	0	0	0	0
Total	361,551,340	100	541,834,875	100

19. Inventories

Description	2024 - 2025 Kshs	2023 - 2024 Kshs
Consumable stores	1,733,745	2,419,940
Total inventories at the lower of cost and net realizable value	1,733,745	2,419,940

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Notes to the Financial Statements (Continued)

20. Property, Plant and Equipments

Cost or Valuation	Furniture office equipment fittings	Computers 33.30%	Motor Vehicles	Plant, Machinery & Equipment	Water Supply Infrastructure 2.50%	Land and Buildings	Capital Works in Progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost or Valuation								
As at 1st July 2024	22,416,498	73,639,101	140,131,726	161,135,116	11,258,718,739	257,199,114	8,625,865,059	20,539,105,353
Additions	-	1,486,400	-	-	-	-	797,290,138	798,776,538
Disposals		-	-	-				-
Transfers/ Adjustments	0	-	(16,298,601)	-			-	(16,298,601)
As at 30th June 2025	22,416,498	75,125,501	123,833,125	161,135,116	11,258,718,739	257,199,114	9,423,155,197	21,321,583,290
Depreciation								
As at 1st July 2024	22,393,529	71,159,896	139,772,885	161,135,116	3,277,113,260	207,324,910	-	3,878,899,596
Depreciation	14,969	2,947,749	358,841	-	281,571,524	-	-	284,893,083
Disposals			(16,298,601)					(16,298,601)
Transfers/ Adjustments			-	-	0	-	-	0
As at 30th June 2025	22,408,498	74,107,645	123,833,125	161,135,116	3,558,684,784	207,324,910	-	4,147,494,078
Net book Values								
As at 30th June 2024	22,970	2,479,205	358,841	-	7,981,605,479	49,874,204	8,625,865,059	16,660,205,758
As at 30th June 2025	8,000	1,017,856	-	-	7,700,033,955	49,874,204	9,423,155,197	17,174,089,212

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Notes to the Financial Statements (Continued)

Valuation

The Agency has not carried out valuation of Land and buildings/ Equipment.

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

Description	Cost or Valuation	Normal Annual depreciation charge
Plant & Equipments	161,135,116	20%
Motor Vehicles Including Motorcycles	122,637,761	25%
Computer and Related Equipments	73,639,101	33.30%
Office Equipment ,Furniture and Fittings	22,296,744	12.50%
Land & Buildings	207,324,908	10%
Total	587,033,630	

21.Trade and Other payables

Description	2024 - 2025 Kshs	2023 - 2024 Kshs
General Suppliers	202,367,792	203,111,790.75
Other payables	2,098,818	5,568,749.85
Total trade and other payables	204,466,609	208,680,540.60

Ageing analysis: (Trade and other payables)

	2024 - 2025	% of the Total	2023 - 2024	% of the Total
Under one year	2,098,818	1	5,568,750	3
1-2 years	202,367,792	99	203,111,791	97
2-3 years	0	0	0	0
Over 3 years	0	0	0	0
Total	204,466,609	100	208,680,541	100

The amounts that have been outstanding between 1-2 years includes contractors retention monies

22. Current provisions

Description	Other provision Kshs	Total Kshs
Balance at the beginning of the year	3,960,000	3,960,000
Additional provisions	0	0
Provision utilized	0	0
Change due to discount and time value for money	0	0
Transfers from non -current provisions	0	0
Balance at the end of the year	3,960,000	3,960,000

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Notes to the Financial Statements (Continued)

23. Pensions and other post-employment benefit plans

Description	2024 - 2025 Kshs	2023 - 2024 Kshs
Balance at the beginning of the year	30,302,524	13,227,378
Current benefit obligation	(8,210,871)	17,075,154
Gratuity released in the year	-	-
Total employee benefit liability	22,091,653	30,302,524

24. Taxation

Description	2024 - 2025 Kshs	2023 - 2024 Kshs
VAT	15,994,417	7,820,304
WHT	6,062,342	6,535,045
Total	22,056,759	14,355,349

25. Long Term Loan Repayments Due

Description	2024 - 2025 Kshs	2023 - 2024 Kshs
KFW Loan- Nzoia Phase I	1,292,234,731	1,148,738,084
KFW Loan- Nzoia Phase II	1,401,157,559	1,211,154,500
WaSSIP	641,979,785	563,097,536
Total Long Term Loan Repayments Due	3,335,372,075	2,922,990,120

26. Deferred Income

The deferred income movement is as follows

Description	2024 - 2025 Kshs	2023 - 2024 Kshs
National Government	229,896,899	0
Total Deferred Income	229,896,899	0

Additional Details

	National Government Kshs	Total Kshs
Balance Brought Forward	0	0
Additions	229,896,899	229,896,899
Balance Carried Forward	229,896,899	229,896,899

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Notes to the Financial Statements (Continued)

27. Borrowings

KFW LOAN	2024 - 2025	2023 - 2024
Description	Kshs	Kshs
KFW Loan- Nzoia Phase I & II	3,597,586,883	3,931,086,553
KFW Loan- Nzoia Phase I & II	(333,499,670)	(333,499,670)
Total KFW Loan	3,264,087,213	3,597,586,883
IDA LOAN		
Balance at the beginning of the year	4,376,785,682	4,486,976,608
During the year	-	-
Loan Repayments	-	-
Less: total current portion of bank loans	(110,190,926)	(110,190,926)
Long Term Loan Repayments Due		
Total IDA Loan	4,266,594,756	4,376,785,682
Belgium Loan		
Balance at the beginning of the year	1,721,054,595	1,721,054,595
During the year	-	-
Less: total current portion of bank loans	-	-
Total Belgium Loan	1,721,054,595	1,721,054,595
AfDB Loan		
Balance at the beginning of the year	3,296,919,860	2,692,998,817
Prior year Adjustment	-	-
During the year	271,960,717	603,921,043
Less: total current portion of bank loans	-	-
Total AfDB Loan	3,568,880,577	3,296,919,860
Total Non-current Borrowings	12,820,617,140	12,992,347,019

The analysis of external borrowings is as follows

Description	2024-2025	2023-2024
	Kshs	Kshs
External borrowings		
Balance at beginning of the year	15,915,337,174	15,311,416,131
External borrowings during the year	271,960,717	603,921,043
Repayments of during the year	(31,308,677)	0
Balance at end of the year	16,155,989,214	15,915,337,174

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Notes to the Financial Statements (Continued)

Description	2024-2025	2023-2024
	Kshs	Kshs
Short Term Borrowings (Current Portion)	3,335,372,075.38	2,922,990,155.27
Long Term Borrowings	12,820,617,140.19	12,992,347,019.16
Total	16,155,989,215.57	15,915,337,174.43

28. Cash Generated from Operations

Description	2024 - 2025 Kshs	2023 - 2024 Kshs
Surplus/(deficit) for the year before tax	(280,892,443)	(348,930,468)
Adjusted for:		
Depreciation	283,429,888	282,923,671
Working capital adjustments		
(Increase)/Decrease in inventory	686,194	(252,817,023)
(Increase)/Decrease in receivables	191,486,330	(416,294)
Increase/(Decrease) in payables	(4,719,312)	(176,068)
Prior year's adjustment		175,136
Increase/(Decrease) in deferred Income	229,896,899	0
Net cash flow from operating activities	419,887,556	(319,241,044)

Retirement benefit Asset/ Liability

The Agency also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Agency's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at 6% per employee per month subject to lower and upper earnings limit for Tier I and Tier II respectively. Other than NSSF, the Agency also has a defined contribution scheme operated by Lake Victoria North Water Staff Pension Fund. Employees contribute 7.5% while employers contribute 15% of basic salary. Employer contributions are recognised as expenses in the statement of financial performance within the period they are incurred.

6. Financial Risk Management

The Agency's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Agency's overall risk management programme

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Notes to the Financial Statements (Continued)

focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Agency does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The Agency's financial risk management objectives and policies are detailed below:

i) Credit risk

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

Financial Risk Management

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

Description	Total amount	Fully performing	Past due
	Kshs	Kshs	Kshs
As at 30th June 2025			
Receivables from exchange transactions	458,274,269	-	458,274,269
Receivables from non-exchange transactions	361,551,340	361,551,340	-
Bank balances	388,850,711	388,850,711	-
Total	1,208,676,320	750,402,051	458,274,269
As at 30 June 2024			
Receivables from exchange transactions	469,477,064	-	469,477,064
Receivables from non-exchange transactions	541,834,875	541,834,875	-
Bank balances	4,938,051	4,938,051	-
Total	1,016,249,989	546,772,925	469,477,064

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Notes to the Financial Statements (Continued)

Financial Risk Management

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 Agency has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Agency has significant concentration of credit risk on amounts due from exchange transactions. The board of directors sets the Agency's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Agency's directors, who have built an appropriate liquidity risk management framework for the management of the Agency's short, medium and long-term funding and liquidity management requirements. The Agency manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Agency under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2025				
Trade payables	63,402,697	26,658,828	114,405,084	204,466,599
Current portion of borrowings			3,335,372,075	3,335,372,075
Provisions			3,960,000	3,960,000
Taxation	22,056,759			22,056,759
Employee benefit obligation	22,091,653			22,091,653
Deferred income	229,896,899			229,896,899
Total	107,551,109	26,658,828	3,453,737,159	3,817,843,585
As at 30th June 2024				
Trade payables	24,461,309	36,635,790	147,583,442	208,680,541
Current portion of borrowings			2,922,990,155	2,922,990,155
Provisions			3,960,000	3,960,000
Deferred income	14,355,369			14,355,369
Employee benefit obligation	30,302,524			30,302,524
Total	69,119,202	36,635,790	3,074,533,597	3,180,288,459

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Notes to the Financial Statements (Continued)

Financial Risk Management

iii) Market risk

The *Agency* has put in place an internal audit function to assist it in assessing the risk faced by the *Agency* on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the *Agency's* income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The *Agency's* Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the *Agency's* exposure to market risks or the way it manages and measures the risk.

a) Foreign currency risk

The *Agency* has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The *Agency* manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

Financial Risk Management

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

Financial Risk Management

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

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b) Interest rate risk

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

Management of interest rate risk

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

Financial Risk Management

Sensitivity analysis

The Agency 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.

Financial Risk Management

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

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

- 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

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significant unobservable components. This hierarchy requires the use of observable market data when available. The *Agency* considers relevant and observable market prices in its valuations where possible.

Financial Risk Management

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

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.

iv) Capital Risk Management

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

Description	2024-2025	2023-2024
	Kshs	Kshs
Capital fund	6,035,212,687	5,513,058,985
Retained Earnings	(4,289,174,547)	(4,006,818,909)
Total Funds	1,746,038,140	1,506,240,076
Total Borrowings	16,155,989,216	15,915,337,174
Less: Cash and Bank Balances	388,850,711	4,938,051
Net Debt/(Excess Cash and Cash Equivalents)	15,767,138,504	15,910,399,124
Gearing	925%	1057%

7. Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

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

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Other related parties include:

- i) Ministry of Water & Sanitation
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Inspectorate of State Corporations
- v) WRA
- vi) Key management.
- vii) Board of directors.
- viii) PIC
- ix) SCAC
- x) Development partners
- xi) WASREB

Description	2024- 2025	2023- 2024
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Water quality tests to Government Agencies	565,200	-
Total	565,200	-
B) purchases from related parties		
Purchases of electricity from KPLC	714,040	1,593,064
Training and conference fees paid to govt. Agencies	209,722	-
Total	923,762	1,593,064
b) Grants/transfers from the government/Development partners		
Grants from national govt	1,599,624,687	799,000,000
Loans received from related parties' AfDB	271,960,717	603,921,043
Total	1,871,585,404	1,402,921,043
c) Key management compensation		
Directors' emoluments	19,515,514	20,358,816
Compensation to key management	35,663,278	25,898,673
Total	55,178,792	46,257,489

8. Contingent Liabilities

Description	2024-2025	2023-2024
	Kshs	Kshs
Legal Contingent Liabilities	29,161,364	70,000,000
Total	29,161,364	70,000,000

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Case/Dispute Name	Case/Dispute No.	Petitioner/Plaintiff/Claimant/Appellant	Issue in Dispute	Quantum of Claim	Other associated costs	Contingent Liability
Land dispute (Civil) - Trespass	KIMILILI CMC ELC CASE NO. 47 OF 2018	Nancy Wanyonyi & Ano.	The Board was sued for trespass to the plaintiffs' land parcel LR. No. Ndivisi/Makuselwa/ 328 where Namarambi Community Water Project was constructed.	Kshs.2,000,000/ =	300,000	2,300,000
Civil Suit - Compensation of wrong party	VIHIGA CMC ELC CASE NO. 1 OF 2019	Joseph Sabwa & 2 others	The Agency was sued in this matter regarding land compensation. Compensation was paid to the main church as per the land sale agreement. The Plaintiffs' claim is that the Agency ought to have compensated their branch and not the main church.	Kshs.2,000,000/ =	300,000	2,300,000
Land dispute (Civil) - Trespass	KAKAMEGA CMCC CAUSE NO. 212 OF 2022	Abdalla Kako Manani & Timothy Lisamula Butiya -Vs. LVNWWDA	The Claimants have filed suit seeking a permanent injunction restraining LVNWWDA from interfering with property known as KAKAMEGA/MUNICIPALITY/BLOCK 1/773 on grounds that they are the registered owner from 25.10.2022. Together with the Plaintiff the claimants have requested for a temporary injunction.	10,000,000	300,000	10,300,000
Civil suit - Road Traffic Accident	MUMIAS SPMCCC NO. E043 OF 2024	Michael Juma	The case is about a road traffic accident involving motor vehicle registration KBG 913 C in respect of an accident which occurred on 10.11.2023 along Mumias-Bungoma Road around Shell area Lukoye. The agency has been sued on account of being the registered owner. The said motorvehicle was handed over to	3,000,000	300,000	3,300,000

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			KACWASCO for their opparations and on the said accident date, it was being driven by its driver for its beneficial use.			
Civil suit-Garnishee Proceedings	BUNGOM A CMCC NO. 348 OF 2022	Brimar Holdings Co. Limited	The Applicant seeks to have all the monies held by the 1st Garnishee(LVNWWDA) in credit for the judgement debtor be attached in answer to the decretal sum.	Ksh.7,682,113.60 / =	300,000	7,982,113.60
Civil suit-Breach of contract	KAKAMEG A CMCC CAUSE NO. E121 OF 2024	Bernard Akang'o P/A B.O AKANG'O & Company Advocates	The case is about non- payments for professional services rendered. The Agency has been sued on account that it engaged professional services of the Plaintiff on or about 9th April,2018 in Bungoma ELC No. 3 of 2015.	Ksh.300,000/=	150,000	450,000
Civil suit-breach of contract	KAKAMEG A SCCCOMM NO. E2001 OF 2024	Millimani Greens Investment	The case touches on non- payments for catering services rendered to the Agency on diverse dates between 2017 to 2023	Ksh.879,250/=	300,000	1,179,250
Objector proceedings	BUSIA SCCCOMM NO. E 240 OF 2024	Babs Security Limited vs. Busia Water & Sewerage Company ,LVNWWDA & Another	The matter is for objector proceedngs. The Defendant was sued for breach of contract and judgment was entered against them. The process of execution was initiated and proclamationion was done. The proclaimed motor vehicles were not registered in the judgment debtors name but the Agency's hence the objector proceedings.		300,000	300,000
Review Proceedings	KAKAMEG A CMCC NO. E051 OF 2024	Densy Travel & Tours Limited vs. LVNWWDA	the matter is for review proceedings. Judgment was entered against the agency and being dissatisfied with the judgment, the Agency has since filled an application for stay pending review and an application for review.	750,000	300,000	1,050,000
TOTAL						29,161,364

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9. Capital Commitments

Capital Commitments	2024-2025	2023-2024
	Kshs	Kshs
Authorised for	3,700,000,000	0
Authorised and contracted for	0	0
Total	3,700,000,000	0

(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).

10. Events after the Reporting Period

As at 30th June 2025, Kshs 134,107,957 (One hundred and thirty-four million one hundred and seven thousand nine hundred and fifty-seven shillings) was in transit from the Parent Ministry. These amounts were for recurrent expenses and development projects.

11. Ultimate and Holding Entity

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

12. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

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20. Appendices

Appendix 1: Implementation Status of Auditor-General's 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:	Timeframe:
			(Resolved / Not Resolved)	
1	<p>Long Outstanding Receivables from Exchange Transactions</p> <p>The statement of financial position and as disclosed in Note 17 to the financial statements reflects receivables from exchange transactions balance of Kshs.469,477,064, net of provision for bad and doubtful debts of Kshs.76,426,499. However, review of ageing analysis provided for audit revealed that the receivables have been outstanding for more than three (3) years as at 30 June, 2024. Further, the Agency did not have in place debtors' management policy.</p> <p>In the circumstances, the accuracy and recoverability of receivables from exchange transactions balance of Kshs.469,477,064 could not be confirmed</p>	<p>The management has put in place measures to ensure the amounts that are due are recoverable. The measures put in place includes holding meetings and sending demand letters to the Water Service Providers. The Agency shall develop a debtors management policy</p>	Not Resolved	July 2025
2	<p>Unsupported Long-Term Loan Repayments Due</p> <p>As previously reported, the statement of financial position and Note 25 to the financial statements reflect long term loan repayments due balance of Kshs.2,922,990,155. The loans relate to KFW loan-Nzoia of Kshs.2,359,892,619 and Water Supply and Sanitation Improvement Project (WaSSIP) of Kshs.563,097,536. However, documents such as loan disbursement schedules, Board resolution, Treasury concurrence, bank statements and loans amortization schedule were not provided for audit review.</p> <p>In the circumstances, the accuracy and completeness of the long-term loan repayments due balance of Kshs.2,922,990,155 could not be confirmed.</p>	<p>The loan agreements provided were signed by the National Treasury and on lent to the Agency. Loan amortization schedules are embedded in the loan agreements. KFW loans were disbursed as direct payments while the WaSSIP Loan was disbursed as revenue; we also attached the disbursement schedules and approved budgets by the board when these loans were incurred</p>	Not Resolved	July 2025
3	<p>Unsupported Borrowings</p> <p>The statement of financial position and Note 26 to the</p>	<p>Loan disbursement and amortization schedules are provided for review. The purpose of the loans are</p>	Not Resolved	July 2025

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	<p>financial statements reflect borrowings balance of Kshs.12,992,347,019.The loans balance includes AFDDB loan of Kshs.3,296,919,859,Belgium loan Kshs.1,721,054,595,IDA Loan of Kshs.4,376,785,682and KFW loan of Kshs.3,597,586,883. However, supporting documents such as applicationfor the loans, purpose of the loans, loan amortization schedule and repayment plan were not provided for audit verification.</p> <p>In the circumstances, the accuracy and completeness of the borrowings balance of Kshs.12,992,347,019 could not be confirmed</p>	<p>included in the loan agreements that were provided during audit and on our response to the management letter and draft auditors report</p>		
	<p>Material Uncertainty Relating to Sustainability of Services The statement of financial performance reflects a deficit of Kshs.349,041,480(2022/2023 deficit of Kshs.354,320,488). The accumulated deficit increased from Kshs.3,657,952,565 in 2022/2023 financial year to Kshs.4,006,818,909 during the year under review. In addition, current liabilities balance of Kshs.3,180,288,590 exceeded current assets balance of Kshs.1,018,669,929 by Kshs.2,161,618,661. In the circumstances, the Agency is technically insolvent and its sustainability depends on the assumption that it will continue to receive financial support from the Government, bankers and creditors. This information has not been disclosed in the financial statements.</p>	<p>The Agency has accumulated deficits relating to provision for depreciation of assets held by the Agency (which is a non-cash item) that were handed over and are being utilized by Water Service Providers. These were expected to be covered in the financial statements by A-I-A (Revenue) collected from Water Service Providers for loan repayment. Loan repayment remains a challenge attached see the various engagement meetings, demand notices and follow ups. The Agency is fully funded by the exchequer</p>	Not Resolved	July 2025
1	<p>Budgetary Control and Performance The statement of comparison of budget and actual amounts reflects receipts budget and actual amounting to Kshs.440,000,000 and Kshs.414,198,354 respectively an under collection of Kshs.25,801,646 or 6% of the budget. The Agency spent an amount of Kshs.1,483,074,312 against the actual receipts of Kshs.414,198,354 resulting in an over utilization of Kshs.1,068,875,958 or 258% of the actual receipts. The under performance and over utilization may have negatively impacted on the planned activities of the Company which affected service delivery to the public. My opinion is not modified in respect of this matter.</p>	<p>The under expenditure is due to underfunding and/or non-disbursement of funds for projects by the National Treasury. The Agency did not receive Kshs 460 million from the Exchequer. The over expenditure is due to additional budget during the period and accrual of expenditure</p>	Not Resolved	July 2025

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2	<p>Unsurrendered Imprests The statement of financial position and Note 18 to the financial statements reflect receivables from non-exchange transactions balance of Kshs.541,834,875. Included in the balance is Kshs.996,311 in respect of outstanding imprests. No explanation was provided on why the imprests were not accounted for or recovered from the salaries of the respective employees in accordance with Regulation 93(5) of the Public Finance temporary imprest to surrender or account for it within seven (7) days after returning to duty station.</p> <p>In the circumstances, Management was in breach of the Law.</p>	All unsurrendered imprests have been liquidated	Resolved	
3	<p>Long Outstanding Trade and Other Payables The statement of financial position and Note 21 to the financial statements reflect trade and other payables from exchange transactions balance of Kshs.208,680,541. Out of this amount, an amount of Kshs.203,111,791 was indicated to be above 1 to 2 years old. However, Management did not provide explanations for the non-settlement of the debts. This was contrary to Regulation 42(1)(a) of the Public Finance Management (National Government) Regulations, 2015 which states debt service payments shall be a first charge on the Consolidated Fund and the Accounting Officer shall ensure this is done to the extent possible that the Government does not default on debt obligations. In the circumstances, Management was in breach of the law.</p>	<p>The agency experienced delays in receipt of development revenue from the Exchequer. The delays in payments were occasioned by delays in disbursements. During the year, the Agency received development funds for 1 quarter. From receivable grants note no. 31 the Agency also received development funds for another quarter in the month of July 2024 after the closure of the financial year. The agency did not receive amounts allocated for 2 quarters. However, the Agency is following up with the Ministry for the remainder of the allocated amounts</p>	Not Resolved	July 2025

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4	<p>Staff in Acting Capacity for More than Six Months Review of employee files revealed that four (4) members of staff had been in acting capacity for more than six months contrary to Section 34(3) of the Public Service Commission Act, 2017, which requires public officers to act in an acting capacity for a period of at least thirty days but not exceeding a period of six months. In the circumstances, Management was in breach of the law.</p>	<p>The extended periods of staff in acting capacity are due to inadequate budgetary allocation leading to inability to fill the positions substantively.</p> <p>During the Financial year 2023-2024 the Agency was allocated a recurrent budget of Kshs. 149,000,000.00 against the required actual expenditure on personnel emoluments of Kshs. 168,000,000.00. This made it difficult for the Agency to fill its approved establishment of 88. For the period under review, the Agency had 67 no. staff.</p> <p>The positions are critical for the Agency to achieve its mandate effectively. The Agency is following up for a review of the allocated budget, if successful the Agency will commence the process of substantive filling of the positions</p>	Not Resolved	July 2026
5	<p>Noncompliance with Law on Staff Ethnic Diversity Review of records maintained by Management revealed that the Agency had sixty seven (67) employees as at 30 June, 2024. However, it was noted that thirty-eight (38) members of staff or 57% were from one dominant ethnic community. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community. In the circumstances, Management was in breach of the law.</p>	<p>This is a historical issue, which the Agency has noted and has endeavoured to ensure ethnic representation during its recruitment process.</p> <p>To enhance this, the Agency has ensured that all job advertisements are placed in Newspapers and the Website for at least 21days to reach a wide pool of applicants across the Country. All genders, PWDS, marginalized and minorities groups are always encouraged to apply.</p>	Not Resolved	July 2026

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6	<p>Stalled Kingwal-Segut School Water Project Drilling and capping of Kingwal-Segut School Water Project borehole to a local company through and was expected to be completed by 9 August, 2023. The contractor had been paid a physical verification of the project conducted in November, 2024 revealed that, the project works had not been done. Further, need assessment report was not provided for verification. In the circumstances, value for money may not have been realized on the expenditure incurred on this project.</p>	<p>The Agency undertook an assessment of the water needs for the community and prepared appraisal report, which formed the basis for requesting for funding . The contract awarded to Puritec Logistics Limited at a contract sum of KES 3,704,883.00 involved drilling and capping of Kingwal- Segut Borehole.(The contractor mobilized to site, drilled the borehole, developed, test pumped and capped). Subsequently, payments for drilling and capping were processed and duly paid.</p> <p>The Agency then contracted M/S Upwork Enterprises Limited to undertake borehole equipping, electro-mechanical and civil works. The contractor mobilized to site and carried out installation of elevated steel tank, pipeline and water points. The contractor raised payment interim payment request of KES 2,259,493.92. The payment certificate was not immediately processed due to financial constraints experienced by the Agency. The contractor insisted on full settlement before resumption of work. This resulted in delays in the completion of the project.</p> <p>Following the receipt of some disbursement/funds by the Agency from the Ministry, the outstanding Interim Payment Certificate that caused delays has since been paid to the contractor. The Agency will instruct the contractor to validate the contract statutory requirements and issue a conditional extension of time. The outstanding works can be successfully completed within a period of two (2) months.</p>	Resolved	
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7	<p>Sironoi Water Project The Lake Victoria North Water Works Development Agency awarded a tender for drilling and capping of Sironoi Water Project borehole to a local company through tender at a contract sum of Kshs.4,084,500. The contract was signed on 6 July, 2023. The contractor had been paid a total of Kshs.1,244,040 or 30% of the contract sum. Physical verification conducted on 14 November, 2024 revealed that, the borehole did not have water and the taps at the community water points were dry. Feasibility study report conducted to confirm the viability of the project was not provided for audit verification. Further, need assessment report was not provided for audit review. In the circumstances, value for money was not realized in respect of the expenditure incurred on this project.</p>	<p>The Agency undertook an assessment of the water needs for the community and prepared appraisal report, which formed the basis for request for funding from the Ministry of Water, Sanitation and Irrigation. Prior to drilling of the borehole a hydrogeological investigation was undertaken by a registered hydrologist, which recommended drilling of the borehole. The contract awarded to Kamaz Holding Limited at a contract sum of KES 4,084,500.00 involved drilling and capping of Sironoi Borehole.(The contractor mobilized to site, drilled the borehole, developed, test pumped and capped).The tested borehole yield was 1.2m³/hr. The Agency then contracted M/S Zege Construction Limited to undertake borehole equipping, electro-mechanical and civil works at a cost of KES 4,953,322.50. The contractor mobilized to site and carried out works for solar pump installation, elevated steel tank installation, pipelines and water points. The works were declared substantially complete by Inspection and Acceptance Committee through their inspection conducted in March 2024. The contractor was to address few snag list which did not affect operations of the project. The project has been in operation since then. Further, the Asset Management, Liaison and Utilities Division of the Agency undertook an inspection in September 2024 in preparation for handover of the Project where it was noted that the borehole was operational and the contractor was required to attend to sang items, which included installation of pipeline marker posts and training of management committee. The Agency has prepared Payment Certificate No. 1 amounting to KES 3,704,550 with a retention amount of</p>	Resolved	
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		KES 370,455. This certificate is yet to be processed and paid to the Contractor. The Agency will undertake a joint inspection with the Contractor to determine the issues affecting the Project and instruct the Contractor to carry out remedial works that will ensure that the operation of the Water supply is restored.		
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Chief Executive Officer

Date:

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Appendix II: Projects implemented by LVNWWDA

Projects implemented by the State Corporation/ SAGA Funded by development partners and/ or the Government.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements. (Yes/No)
Sirisia - Chwele (Koica)- Phase 2	1109105400	KOICA	2 Years	Ksh 550 M	No.	Yes
Malava Gravity Scheme Water Project	1109105600	GoK	3 Years	Kshs 2.4 B	No	Yes
Mosongo Water Project	1109126902	GoK	3 Years	Kshs 800 M	No	Yes
Rehabilitation of Alupe Water Project		GoK	3 Years	Kshs 700 M	No	Yes

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Status of Projects completion

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1.	Sirisia - Chwele (Koica)-Phase 2	Ksh 550 M					KOICA
2.	Malava Gravity Scheme Water Project	Kshs 2.4 B					GoK
3.	Mosongo Water Project	Kshs 800 M					GoK
4.	Rehabilitation of Alupe Water Project	Kshs 700 M					GoK

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Appendix IV: Transfers from Other Government Entities

Date received			Where Recorded/recognized					
As per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Borrowings	Total Transfers
01/07/2024	Recurrent	160,000	160,000					160,000
01/07/2024	Recurrent	12,416,666	12,416,666					12,416,666
19/07/2024	Development	20,764,532					20,764,532	20,764,532
19/07/2024	Development	8,181,693					8,181,693	8,181,693
22/07/2024	Development	4,036,700					4,036,700	4,036,700
22/07/2024	Development	4,749,300					4,749,300	4,749,300
24/07/2024	Development	4,250,539					4,250,539	4,250,539
26/07/2024	Development	1,866,643					1,866,643	1,866,643
26/07/2024	Recurrent	300,000				300,000		300,000
06/08/2024	Development	5,924,550					5,924,550	5,924,550
23/09/2024	Recurrent	12,415,483	12,415,483					12,415,483
25/09/2024	Development	54,083,333	9,583,333	44,500,000				54,083,333
26/09/2024	Recurrent	300,000				300,000		300,000
11/10/2024	Development	54,083,333	9,583,333	44,500,000				54,083,333
22/10/2024	Development	22,759,333					22,759,333	22,759,333
24/10/2024	Development	4,542,966					4,542,966	4,542,966
28/10/2024	Recurrent	12,415,483	12,415,483					12,415,483
28/10/2024	Recurrent	300,000				300,000		300,000
Date received			Where Recorded/recognized					
As per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Borrowings	Total Transfers
29/10/2024	Development	53,933,693					53,933,693	53,933,693
29/10/2024	Development	18,917,930					18,917,930	18,917,930
14/11/2024	Recurrent	100,000				100,000		100,000
15/11/2024	Development	4,220,663				4,220,663		4,220,663
18/11/2024	Recurrent	12,415,483	12,415,483					12,415,483
20/11/2024	Development	54,083,333	9,583,333	44,500,000				54,083,333

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22/11/2024	Development	54,083,333	9,583,333	44,500,000				54,083,333
26/11/2024	Recurrent	300,000				300,000		300,000
03/12/2024	Development	5,997,002				5,997,002		5,997,002
05/12/2024	Development	39,098,855					39,098,855	39,098,855
06/12/2024	Recurrent	50,000				50,000		50,000
17/12/2024	Development	7,762,359					7,762,359	7,762,359
19/12/2024	Recurrent	19,000,000	19,000,000					19,000,000
23/12/2024	Development	18,527,740					18,527,740	18,527,740
09/01/2025	Development	13,071,895				13,071,895		13,071,895
10/01/2025	Recurrent	100,000				100,000		100,000
15/01/2025	Development	54,083,333	9,583,333	44,500,000				54,083,333
27/01/2025	Recurrent	300,000				300,000		300,000
Date received			Where Recorded/recognized					
As per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Borrowings	Total Transfers
10/02/2025	Recurrent	100,000				100,000		100,000
10/02/2025	Recurrent	19,000,000	19,000,000					19,000,000
10/02/2025	Recurrent	19,000,000	19,000,000					19,000,000
17/02/2025	Recurrent	200,000				200,000		200,000
26/02/2025	Recurrent	300,000				300,000		300,000
10/03/2025	Recurrent	100,000				100,000		100,000
12/03/2025	Recurrent	19,000,000	19,000,000					19,000,000
14/03/2025	Recurrent	2,357,364				2,357,364		2,357,364
27/03/2025	Recurrent	300,000				300,000		300,000
03/04/2025	Recurrent	19,000,000	19,000,000					19,000,000
10/04/2025	Recurrent	100,000				100,000		100,000
28/04/2025	Recurrent	300,000				300,000		300,000
29/04/2025	Development	22,592,231					22,592,231	22,592,231
29/04/2025	Development	11,191,391					11,191,391	11,191,391
30/04/2025	Development	11,192,171					11,192,171	11,192,171
10/05/2025	Recurrent	100,000				100,000		100,000
14/05/2025	Recurrent	28,107,956	28,107,956					28,107,956

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19/05/2025	Development	561,750,000	291,372,758	270,377,242.28				561,750,000
Date received			Where Recorded/recognized					
As per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Borrowings	Total Transfers
26/05/2025	Recurrent	300,000				300,000		300,000
27/05/2025	Development	4,198,093				4,198,093		4,198,093
27/05/2025	Development	5,964,932				5,964,932		5,964,932
28/05/2025	Development	2,289,841					2,289,841	2,289,841
28/05/2025	Development	1,460,043					1,460,043	1,460,043
28/05/2025	Development	579,743					579,743	579,743
28/05/2025	Development	5,395,544					5,395,544	5,395,544
29/05/2025	Recurrent	250,000				250,000		250,000
05/06/2025	Recurrent	300,000				300,000		300,000
10/06/2025	Recurrent	28,107,956	28,107,956					28,107,956
12/06/2025	Development	432,472,222	224,317,978	29,276,460	178,877,784			432,472,222
19/06/2025	Development	1,942,920					1,942,920	1,942,920
26/06/2025	Recurrent	300,000				300,000		300,000
28/06/2025	Development	13,006,207				13,006,207		13,006,207
07/07/2025	Recurrent	28,107,956	28,107,956					28,107,956
14/07/2025	Development	106,000,000	54,980,885		51,019,115			106,000,000
		1,924,962,744	847,735,269	522,153,702	229,896,899	53,216,157	271,960,717	1,924,962,744

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Appendix V- Inter-Entity Confirmation Letter

Name of Transferring Entity: *Ministry of Water & Irrigation*

Name of Beneficiary Entity: *Lake Victoria North Water Works Development Agency*

Confirmation of amounts received by Lake Victoria North Water Works Development Agency as at 30 th June 2025					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
	30/08/2024	12,415,483		12,415,483	
	23/09/2024	12,415,483		12,415,483	
	28/10/2024	12,415,483		12,415,483	
	18/11/2024	12,415,483		12,415,483	
	19/12/2024	19,000,000		19,000,000	
	10/02/2025	19,000,000		19,000,000	
	10/02/2025	19,000,000		19,000,000	
	12/03/2025	19,000,000		19,000,000	
	03/04/2025	19,000,000		19,000,000	
	14/05/2025	28,107,844		28,107,844	
	10/06/2025	28,107,844		28,107,844	
	07/07/2025	28,107,844		28,107,844	Amount in transit as at 30th June 2025
	25/09/2024		54,083,333	54,083,333	
	11/10/2024		54,083,333	54,083,333	
	20/11/2024		54,083,333	54,083,333	
	22/11/2024		54,083,333	54,083,333	
	15/01/2025		54,083,333	54,083,333	
	19/05/2025		561,750,000	561,750,000	

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	12/06/2025		432,472,222	432,472,222	
	14/07/2025		106,000,000	106,000,000	Amount in transit as at 30th June 2025
	19/07/2024		20,764,532	20,764,532	
	22/07/2024		4,036,700	4,036,700	
	24/07/2024		4,250,539	4,250,539	
	26/07/2024		1,866,643	1,866,643	
	22/10/2024		22,759,333	22,759,333	
	24/10/2024		4,542,966	4,542,966	
	29/10/2024		53,933,693	53,933,693	
	29/10/2024		18,917,930	18,917,930	
	05/12/2024		39,098,855	39,098,855	
	17/12/2024		7,762,359	7,762,359	
	23/12/2024		18,527,740	18,527,740	
	29/04/2025		22,592,231	22,592,231	
	29/04/2025		11,191,391	11,191,391	
	30/04/2025		11,192,171	11,192,171	
	28/05/2025		2,289,841	2,289,841	
	28/05/2025		1,460,043	1,460,043	
	28/05/2025		579,743	579,743	
	28/05/2025		5,395,544	5,395,544	
	19/06/2025		1,942,920	1,942,920	
	19/07/2024		8,181,693	8,181,693	
	22/07/2024		4,749,300	4,749,300	
	06/08/2024		5,924,550	5,924,550	
Total		228,985,464	1,642,599,604	1,871,585,068	

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department - Disbursing Entity: Ministry of Water and Sanitation

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Name Sign Date

Head of Accounts Department - Beneficiary Entity: Lake Victoria North Water Works Development Agency

Name Anthony Kerako Sign [Signature] Date.....

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Appendix VI: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

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Appendix VII: Reporting on Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments