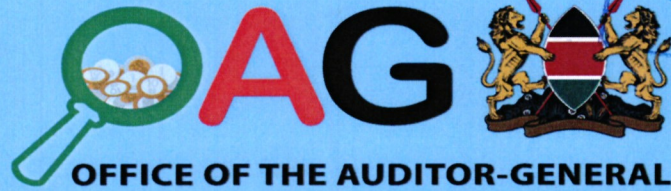


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**REPORT**

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 03 MAY 2023	DAY: Wednesday
TABLED BY:	Hon. Kimani Ichungwah (Leader of the Majority Party)
CLERK-AT-TABLE:	Kalima

**THE AUDITOR-GENERAL**

**ON**

**LAKE VICTORIA WATER AND SANITATION  
PROJECT GRANT NO CKE 1093 02 M, CREDIT  
NO. CKE1093 01 L AND EIB NO. FI N°83890  
Serapis N° 2011-0619**

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

**LAKE VICTORIA SOUTH WATER WORKS  
DEVELOPMENT AGENCY**



OFFICE OF THE AUDITOR GENERAL

**RECEIVED**



24 NOV 2022



P. O. BOX 1188, KISUMU

**LAKE VICTORIA WATER AND SANITATION PROJECT**

**LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY**

**GRANT NUMBER CKE 1093 02 M**  
**CREDIT NUMBER:**  
**AFD AGREEMENT NO. CKE 1093 01 L**  
**EIB NO. FI N°83890 Serapis N° 2011-0619.**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

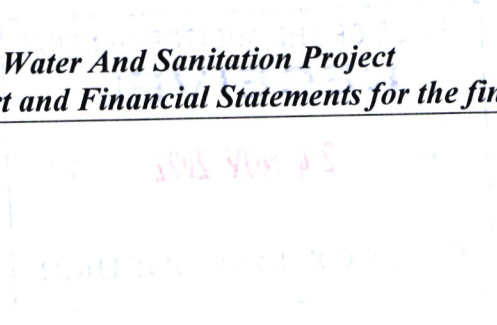
**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2022**

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***Lake Victoria Water And Sanitation Project***  
***Annual Report and Financial Statements for the financial year ended June 30, 2022***

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## Table Contents

1. PROJECT INFORMATION AND OVERALL PERFORMANCE.....	iv
2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES ..	xii
3. ENVIRONMENTAL AND SUSTAINABILITY REPORTING .....	xiv
4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES.....	xvi
5. REPORT OF THE INDEPENDENT AUDITOR ON THE LAKE VICTORIA WATER AND SANITATION PROJECT .....	xvii
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2022.....	1
7. STATEMENT OF FINANCIAL ASSETS AS AT 30 <sup>TH</sup> JUNE 2022 .....	2
8. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 <sup>TH</sup> JUNE 2022 .....	3
9. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 <sup>TH</sup> JUNE 2022 .....	4
10. SIGNIFICANT ACCOUNTING POLICIES.....	5
11. NOTES TO THE FINANCIAL STATEMENTS.....	12
13. PRIOR YEAR AUDITOR-GENERAL'S RECOMMENDATIONS .....	18
14. ANNEXES .....	19

# 1. PROJECT INFORMATION AND OVERALL PERFORMANCE

## 1.1 Name and Registered office

The Project's Official name is Lake Victoria Water and Sanitation Project Kisumu.

### Objectives

1. Construction of 107km of water supply distribution system within the city, extending to satellite towns of Maseno and Kiboswa.
2. Construction of 70km of sewerage network within the Kisumu City
3. Develop new Sewerage Treatment works and collection system at Otonglo to collect and treat 8,000m<sup>3</sup>/day of wastewater
4. Prepare Water Resources and Wastewater Management Master Plan for Kisumu City and Kisumu County
5. Provide Technical Assistance to KIWASCO to reduce Non-Revenue Water from 45% to 20%.
6. Capacity building to LVSWWDA, KIWASCO and County Government of Kisumu on contract and project management

The project headquarters offices are located at Lake Victoria South Water Works Development Agency in Kisumu County, Kenya.

The address of its registered office is:

P.O Box 3325-40100  
KISUMU

**Contacts:** The following are the project contacts

Telephone: (254) 572025128  
E-mail: [info@lvswwda.go.ke](mailto:info@lvswwda.go.ke)  
Website: [www.lvswwda.go.ke](http://www.lvswwda.go.ke)

## Project information and overall performance (continued)

### 1.1 Project Information

<b>Project Start Date:</b>	The Project start date is 17th December 2015
<b>Project End Date:</b>	The Project end date is 31 <sup>st</sup> October 2025
<b>Project Manager:</b>	The Project Manager is Chrispine O. Juma (HSC)
<b>Project Sponsor:</b>	The Project sponsor is AFD/EIB/EU-AITF

### 1.2 Project Overview

Line Ministry of the project	The project is under the supervision of the Ministry of Water and Sanitation & Irrigation. .
Project number	GRANT NUMBER CKE 1093 02 M CREDIT NUMBER CKE 1093 01 L and FI N°83890 Serapis N° 2011-0619.
Strategic goals of the project	The strategic goals of the project are as follows: (i) Construction of 107km of water supply distribution system within the city, extending to satellite towns of Maseno and Kiboswa. (ii) Construction of 70km of sewerage network within the Kisumu City (iii) Develop new Sewerage Treatment works and collection system at Otonglo to collect and treat 8,000m <sup>3</sup> /day of wastewater (iv) Prepare Water Resources and Wastewater Management Master Plan for Kisumu City and Kisumu County (v) Provide Technical Assistance to KIWASCO to reduce Non-Revenue Water from 45% to 20%. (vi) Capacity building to LVSWWDA, KIWASCO and County Government of Kisumu on contract and project management
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Improvement of water and sanitation infrastructure. (ii) Developing of Water Resources and Waste water Master plan in Kisumu County under LVWATSAN Project.
Other important background information of the project	The project is a continuation of the Kisumu Water Supply and Sanitation Project funded by AFD in order to continue progress and to sustain water and sanitation management in the city.

Current situation that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> <li>i. Water supply coverage is 67% due to inadequate water distribution network</li> <li>ii. Sewerage coverage is only 16%, hence the need for expansion of sewerage collection, transmission and treatment infrastructure.</li> <li>iii. High Non-Revenue Water loss at 45% due to old pipeline networks</li> <li>iv. Lack of Master Plans for Water Resource and Wastewater to guide future developments</li> <li>v. Poor access to water and sanitation in Low Income Areas of Manyatta, Obunga, Nyalenda etc.</li> <li>vi. Overreliance in polluted water resource (Lake Victoria) and unreliable river sources due to drought and climate change impacts.</li> </ul>
Project duration	The project started on 17th December 2015 and is expected to run until 31 <sup>st</sup> October 2025

### 1.3 Bankers

The following are the bankers for the current year:

The AFD/ financier is the banker for Grant.

Co-operative Bank of Kenya Ltd

Kenya Commercial Bank Limited

NCBA Kenya PLC

### 1.4 Auditors

Auditor General

Office of the Auditor General

P.O Box 30084-00100

Nairobi

## 1.5 Roles and Responsibilities

S/No.	Name	Title Designation	Key Qualifications	Responsibilities
1.	Mr. Chrispine O. Juma	Chief Executive Officer	B.Sc. degree in hydrological	Accounting Officer
2.	Eng.Paul Agwanda	Senior Manager, Water works & Services	B.Sc. degree in Civil Engineering	Project Coordinator
3.	Eng. Phelix Okuta	Senior Engineer	B.Sc. degree in Civil Engineering	Project Engineer
4.	CPA Isaac Lang'o	Senior Accountant	MBA(Finance) B. Com (Banking & Finance), CPA(K)	Project Accountant
5.	Ms.Regina Mutsotso	Senior Supply Chain Management Officer	B. Com (SCM), CIPS	Project Supply Chain Management Officer

## 1.6 Funding summary

The Project is for duration of ten years from 2015 to October 2025 with an approved budget of 70.0Million Euros (use donor currency) equivalent to KShs 8.18Billion as highlighted in the table below:

*Lake Victoria Water And Sanitation Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022*

**Project information and overall performance (continued)**

Below is the funding summary:

**A. Source of Funds**

Source of funds	Donor Commitment-		Amount received to date – (30-06-2022)		Undrawn balance to date	
	EURO	KShs	EURO	KShs	EURO	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
<b>(i) Grant</b>	'000'	'000'	'000'	'000'	'000'	'000'
EU-AITF- European Union African Infrastructure Trust Fund	5,000	584,286	2,891	357,729	2,109.20	226,557
AFD	10,000	1,168,572	-	-	10,000.00	1,168,572
European Investment Bank-EIB	35,000	4,090,002	-	-	35,000.00	4,090,002
<b>(ii) Loan</b>						
AFD	10,000	1,168,572	-	-	10,000.00	1,168,572
<b>(iii) Counterpart funds</b>						
Government of Kenya	10,000	1,168,572	407	50,350	9,593	1,118,222
<b>Total</b>	<b>70,000</b>	<b>8,180,004</b>	<b>3,298</b>	<b>408,079</b>	<b>66,702</b>	<b>7,771,925</b>

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 <sup>th</sup> June 2022)		Cumulative Amount paid to date – (30 <sup>th</sup> June 2022)		Unutilised balance to date (30 <sup>th</sup> June 2022)	
	EURO	Kshs	EURO	Kshs	EURO	Kshs
	(A)	(A')	(B')	(B')	(A)-(B)	(A')-(B')
<b>(i) Grant</b>	'000'	'000'		'000'	'000'	'000'
EU-AITF- European Union African Infrastructure Trust Fund	2,891	357,729	2,891	357,729	-	-
AFD	-	-	-	-	-	-
European Investment Bank- EIB	-	-	-	-	-	-
<b>(i) Loan</b>						
AFD	-	-	-	-	-	-
<b>(ii) Counterpart funds</b>						
Government of Kenya	407	50,350	272	31,783	135	18,567
<b>Total</b>	<b>3,298</b>	<b>408,079</b>	<b>3,163</b>	<b>389,512</b>	<b>135</b>	<b>18,567</b>

**Project information and overall performance (continued)**

**1.7 Summary of Overall Project Performance:**

- i. The Overall budget performance is at **18%** disbursement at the current year cumulative this is because the project is still at the initial stage of studies and the works implementation will start in the next financial year.
- ii. The project is awaiting ground breaking for works, being a new project and the tender process for works is being prepared.
- iii. The project is being professionally supervised and hence the city and its environs will benefit from uninterrupted water supply and sanitation network and water resources master plan for future investments hence the project will achieve value for money.
- iv. The implementation challenges were:
  - Slow project implementation especially lengthy procurement hence may delay in achieving the project objectives on time.
  - Community resistance

Recommendations on way forward to mitigate the challenges;

- Hastened procurement process by reducing time lag for receiving no objections.
- Getting out of court negotiations with project affected persons.

**1.8 Summary of Project Compliance:**

The project did not have non-compliance issues with the applicable law and regulations or any external financing agreements.

## 2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

### Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the project's 2015-2025 plans are to:

- i. Water supply coverage is 67% due to inadequate water distribution network
- ii. Sewerage coverage is only 16%, hence the need for expansion of sewerage collection, transmission and treatment infrastructure.
- iii. High Non-Revenue Water loss at 45% due to old pipeline networks
- iv. Lack of Master Plans for Water Resource and Wastewater to guide future developments
- v. Poor access to water and sanitation in Low Income Areas of Manyatta, Obunga, Nyalenda etc.
- vi. Overreliance in polluted water resource (Lake Victoria) and unreliable river sources due to drought and climate change impacts.

### Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
KISUMU LVWATSAN PROJECT	To improve water supply and sanitation distribution network in Kisumu City	-70km of water distribution pipelines defined and designed. 33km of sewer lines defined and designed.	Kilometres of distribution network for Water and Sanitation within Kisumu	Improvement of water and sanitation infrastructure

	<p>To provide a clear strategy for the city and the whole county on Investments to be conducted, associated costs and priorities.</p>	<ul style="list-style-type: none"> <li>- Diagnostic Water Resources Masterplan Report</li> <li>-Diagnostic Wastewater Resources Master Plan</li> <li>-Water Quality Monitoring Plan</li> </ul>	<ul style="list-style-type: none"> <li>-Water Resources Masterplan Report</li> <li>-Wastewater Masterplan Report</li> <li>Water Quality Monitoring Report</li> </ul>	<p>Developing of Water Resources and Waste Water Master plan in Kisumu County.</p>
	<p>Presentation of Scenario for Water Resources to Working Group</p> <p>-Presentation of Scenario Wastewater Management to Working Group</p>	<p>-Developing of Water Resources and Waste water Master plan in Kisumu County.</p>	<p>-Feasibility Study for Water Resources Development</p> <p>-Feasibility Study for Otonglo Wastewater Treatment Plant</p>	<p>- Developing of Water Resources and Waste water Master plan in Kisumu County.</p>

### 3. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Lake Victoria Water and Sanitation Project exists to transform lives by improving water supply and sanitation distribution network in Kisumu City. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

#### i. Sustainability strategy and profile-

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

#### ii. Environmental performance

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

#### iii. Employee welfare

The project management is by LVSWWDA staff and therefore the entity's employee welfare policies and guidelines apply as detailed below:

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

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

disability and consideration of the marginalized communities in all aspects of human resources dynamics.

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

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

**iv. Market place practices-**

The Agency ensures incorporation of competitive market practices through, encouraging competitive bidding by Placing advertisements for all tenders in our local dailies, our website and The Govt. of Kenya Treasury portal.

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

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

**v. Community Engagements-**

In line with the right to Access to Information as enshrined under Article 35 of the COK, the Project Stakeholder Participation and Coordination will be given a major emphasis not only as a constitutional requirement as a basic necessity for such developments but also to benefit from other advantages such us sharing information, participatory approach to Project management, management of potential conflicts between institutions, integrated planning for LVWATSAN infrastructure and harmonious implementation of LVWATSAN Project with other development Projects to be executed by other entities e.g. road constructions, harbour improvements.

#### 4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Executive Officer of Lake Victoria South Water Works Development Agency and the Project Coordinator for Lake Victoria Water and Sanitation project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangement 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 Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

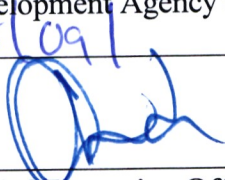
The Chief Executive Officer of Lake Victoria South Water Works Development Agency and the Project Coordinator for Lake Victoria Water and Sanitation project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.


The Chief Executive Officer of Lake Victoria South Water Works Development Agency and the Project Coordinator for Lake Victoria Water and Sanitation project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2022, and of the Project's financial position as at that date. The Chief Executive Officer of Lake Victoria South Water Services Board and the Project Engineer for Lake Victoria Water and Sanitation project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.


The Chief Executive Officer of Lake Victoria South Water Works Development Agency and the Project Coordinator for Lake Victoria Water and Sanitation project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

#### Approval of the Project financial statements

The Project financial statements were approved by the Chief Executive Officer of Lake Victoria South Water Works Development Agency and the Project Coordinator for Lake Victoria Water and Sanitation project on 28/09/ 2022 and signed by them.

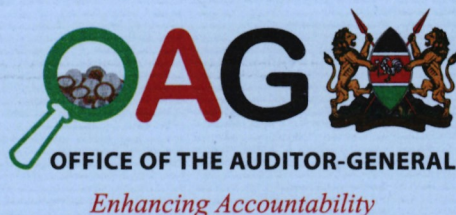
  
\_\_\_\_\_  
**Ag. Chief Executive Officer**  
Chrispine O. Juma

  
\_\_\_\_\_  
**Project Coordinator**  
Eng. Paul Agwanda

  
\_\_\_\_\_  
**Project Accountant:**  
Isaac O. Lang'o  
ICPAK MNO.21303

# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON LAKE VICTORIA WATER AND SANITATION PROJECT GRANT NO CKE 1093 02 M, CREDIT NO. CKE1093 01 L AND EIB NO. FI N°83890 Serapis N° 2011-0619 FOR THE YEAR ENDED 30 JUNE, 2022 - LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY**

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### PREAMBLE

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

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

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

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

## REPORT ON THE FINANCIAL STATEMENTS

### Qualified Opinion

I have audited the accompanying financial statements of Lake Victoria Water and Sanitation Project Number Convention AFD CKE 1093 02 M set out on pages 1 to 18 which comprise of the statement of financial assets as at 30 June, 2022 and the statement of receipts and payments, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Lake Victoria Water and Sanitation Project Grant No. CKE 1093 02 M as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with Financing Grant Agreement No CKE 1093 02 M and Credit No. CKE109301L and EIB No.FI N°83890 Serapis N° 2011-0619 dated 17 December, 2015 between the Republic of Kenya and French Development Agency(AFD) and the Public Finance Management Act, 2012.

### Basis for Qualified Opinion

#### 1. Irregular Expenditure

The statement of receipts and payments reflects an amount of Kshs.10,687,618 under Project management expenses, which as disclosed in Note 6 to the financial statements includes an amount of Kshs.1,654,910 on capacity building and Kshs.609,100 and travelling and accommodation. The travel expenses include cost of air tickets to Nairobi amounting to Kshs.231,500 for staff who attended training on tax management. However, the training expenditure balance of Kshs.1,654,910 includes the cost of the tax training. The two activities do not relate to the project and are not a proper charge.

In the circumstances, the propriety on the expenditure on the training on tax management and the air tickets could not be confirmed.

#### 2. Acquisition of Non-financial Assets

The statement of receipts and payments reflects an amount of Kshs.5,745,285 under acquisition of non-financial assets, leading to an accumulated amount on non-financial assets of Kshs.7,114,460. However, review of the asset documentation and physical verifications conducted during the year revealed that the assets were not tagged and could not be differentiated from the other assets.

In the circumstances, the existence and ownership of the assets could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Lake Victoria Water and Sanitation Project Grant No. CKE 1093 02 M, Credit No. CKE109301L and EIB No.FI N°83890 Serapis N° 2011-0619 Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for conclusion on Lawfulness and Effectiveness in use of Public Resources, 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**

#### **Project Completion and Performance Timelines**

As disclosed in Note 4 to the financial statements, the statement of receipts and payments and reflects an amount of Kshs.121,020,028 on purchase of goods and services. The amount includes a balance of Kshs.87,382,145 and Kshs.33,637,882 incurred on project management consultancy services and technical design and supervision consultancy respectively. However, review of records revealed that Management entered into a contract for consultancy services for Technical Assistance and Capacity Building at a contract sum of Kshs.223,137,747. The contract commenced on 14 August, 2018 for a period of forty-five (45) months and was expected to be completed by 14 May, 2022. During the year under review, Management paid an amount of Kshs.87,382,145 bringing the cumulative expenditure to Kshs.123,021,963 (55%). The Project was therefore behind schedule.

Further, another contractor was paid an amount of Kshs.33,637,882 to undertake feasibility studies, design and supervision of works under the project packages 1 & 2 in Kisumu City. Review of Interim Certificate No. 8 dated 22 January, 2022 revealed that the cumulative expenditure as at 30 June, 2022 was Kshs.58,721,225 representing 18% of the total contract price of Kshs.311,343,443. The project commencement date was 25

August, 2017, for a period of fifty-six (56) months with an expected completion date of 25 April, 2022. Verification of the status of the contract revealed that the projects' planned deliverables earmarked for completion had not been realized. However, no evidence was provided to demonstrate progress of the two consultancies.

Management did not demonstrate the efforts its making to expedite the implementation of the Project. The consultants requested for extension of the contracts which were extended to 31 October, 2022.

In the circumstances, the delayed, commencement and subsequent completion of the project negates the public from deriving services from the project.

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

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

### Conclusion

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

### Basis for Conclusion

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by financing agreements, I report based on my audit, that:

- i. 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;
- ii. in my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

## **Responsibilities of Management and those Charged with Governance**

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

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

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

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

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

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

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in

compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project or cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**14 December, 2022**


*Lake Victoria Water And Sanitation Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022*


**6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2022.**

	Note	2021/2022			2020/2021			Cumulative to-date (From inception) KShs
		Receipts and payments controlled by the entity	Receipts and Payments made by third parties	Total	Receipts and payments controlled by the entity	Payments made by third parties	Total	
		KShs			KShs			
<b>RECEIPTS</b>								
Transfer from Government entities	1	35,000,000		35,000,000	13,980,689	-	13,980,689	50,349,864
Proceeds from domestic and foreign grants	2		121,020,028	121,020,028		107,545,436	107,545,436	357,729,464
<b>TOTAL RECEIPTS</b>		<b>35,000,000</b>	<b>121,020,028</b>	<b>156,020,028</b>	<b>13,980,689</b>	<b>107,545,436</b>	<b>121,526,125</b>	<b>408,079,328</b>
<b>PAYMENTS</b>								
Purchase of goods and services	4	-	121,020,028	121,020,028	13,980,689	107,545,436	121,526,125	371,710,153
Acquisition of non-financial assets	5	5,745,285		5,745,285				7,114,460
Project Management Expense	6	10,687,618		10,687,618				10,687,618
<b>TOTAL PAYMENTS</b>		<b>16,432,903</b>	<b>121,020,028</b>	<b>137,452,931</b>	<b>13,980,689</b>	<b>107,545,436</b>	<b>121,526,125</b>	<b>389,512,231</b>
<b>SURPLUS/(DEFICIT)</b>		<b>18,567,097</b>	<b>-</b>	<b>18,567,097</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,567,097</b>

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.

  
.....  
**Christpine O Juma**  
Ag. Chief Executive Officer

  
.....  
**Eng. Paul Agwanda**  
Project Coordinator

  
.....  
**CPA Isaac Ouma Lang'o**  
ICPAK Member No:21303

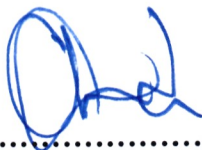
**Lake Victoria Water And Sanitation Project**

**Annual Report and Financial Statements for the financial year ended June 30, 2022**

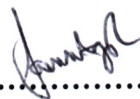
**7. STATEMENT OF FINANCIAL ASSETS AS AT 30<sup>TH</sup> JUNE 2022**

	Note	2021-2022	2020-2021
		KShs	KShs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	7	18,567,097	-
Cash Balances		-	-
Cash Equivalents (short-term deposits)		-	-
<b>Total Cash and Cash Equivalents</b>		<b>18,567,097</b>	-
Accounts Receivables		-	-
<b>TOTAL FINANCIAL ASSETS</b>		<b>18,567,097</b>	-
<b>FINANCIAL LIABILITIES</b>			
Payables- Deposits and Retentions		-	-
<b>NET ASSETS</b>		<b>18,567,097</b>	-
<b>REPRESENTED BY</b>			
Fund balance b/fwd		-	-
Prior year adjustments		-	-
Surplus/(Deficit) for the year		18,567,097	-
<b>NET FINANCIAL POSITION</b>		<b>18,567,097</b>	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 28/09/2022 and signed by:



.....  
**Chrispine O Juma**  
**Ag. Chief Executive Officer**



.....  
**Eng. Paul Agwanda**  
**Project Coordinator**

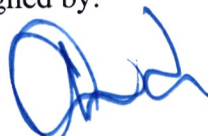


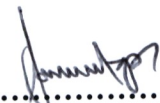
.....  
**CPA Isaac O. Lang'o**  
**Project Accountant:**


8. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022

Description	Notes	2021-2022	2020-2021
		Kshs	Kshs
<b>Cashflow from operating activities</b>			
<b>Receipts</b>			
Transfer from government entities	1	35,000,000	13,980,689
Proceeds from domestic and foreign grants	2	121,020,028	107,545,436
<b>Total receipts</b>		<b>156,020,028</b>	<b>121,526,125</b>
<b>Payments</b>			
Purchase of goods and services	4	(121,020,028)	(121,526,125)
Project Management	6	(10,687,618)	-
<b>Total Payments</b>		<b>(131,707,646)</b>	<b>(121,526,125)</b>
<b>Net cash flow from operating activities</b>		<b>24,312,382</b>	-
<b>Cashflow from investing activities</b>			
Acquisition of non-financial assets	5	(5,745,285)	-
<b>Net cash flows from investing activities</b>		<b>(5,745,285)</b>	-
<b>Cash flow from financing activities</b>			
Proceeds from foreign borrowings		-	-
<b>Net cash flow from financing activities</b>		-	-
Net increase in cash and cash equivalents	7	18,567,097	-
<b>Cash and cash equivalent at beginning of the year</b>		-	-
<b>Cash and cash equivalent at end of the year</b>	7	<b>18,567,097</b>	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 28/09/2022 and signed by:

  
 .....  
**Chrispine O. Juma**  
 Ag. Chief Executive Officer

  
 .....  
**Eng. Paul Agwanda**  
 Project Coordinator


  
 .....  
**CPA Isaac O. Lang'o**  
 Project Accountant  
 ICPAK Member No:21303


9. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual Comparable Basis D	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
<b>Receipts</b>						
Transfer from Government	140,000,000	-	140,000,000	35,000,000	105,000,000	25%
Proceeds from foreign grants	600,000,000	-	600,000,000	121,020,028	478,979,972	20%
<b>Total Receipts</b>	<b>740,000,000</b>		<b>740,000,000</b>	<b>156,020,028</b>	<b>583,979,972</b>	<b>21%</b>
<b>Payments</b>						
Consultancy for Technical study, design and supervision for works p1&2 - procurement process	2,000,000	-	2,000,000	-	2,000,000	0%
Consultancy for Water Resources Master Plan	35,000,000	-	35,000,000	33,637,882	1,362,118	96%
Consultancy for Technical Assistance in NRW Management and water supply in informal settlements	50,000,000	-	50,000,000	-	50,000,000	0%
Consultancy for technical Assistance and Capacity Building in project management	90,000,000	-	90,000,000	87,382,145	2,617,855	97%
Project Management expenses	140,000,000		140,000,000	16,432,903	123,567,097	17%
Works Package 1	423,000,000		423,000,000	-	423,000,000	0%
<b>Total Payments</b>	<b>740,000,000</b>	<b>-</b>	<b>740,000,000</b>	<b>137,452,930</b>	<b>602,547,070</b>	<b>19%</b>

Note: The significant budget utilisation/performance differences in the last column are explained in Annex 1 to these financial statements.

.....  
  
**Chrispine O. Juma**  
 Ag. Chief Executive Officer

.....  
  
**Eng. Paul Agwanda**  
 Project Coordinator

.....  
  
**CPA Isaac O. Lang'o**  
 Project Accountant  
 ICPAK Member No:21303

## **10. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are set out below:

### **10.1 Statement of compliance and basis of preparation**

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

The accounting policies adopted have been consistently applied to all the years presented.

### **10.2 Reporting entity**

The financial statements are for Kisumu LVWATSAN Project under the Ministry of Water Sanitation and Irrigation. The financial statements are for the reporting entity Ministry of Water Sanitation and Irrigation as required by Section 81 of the PFM Act, 2012 .

### **10.3 Reporting currency**

The financial statements are presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

### **10.4 Recognition of receipts**

Kisumu LVWATSAN Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received.

#### **i) Transfers from the Exchequer**

Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

#### **ii) External Assistance**

External assistance is monies received through grants and loans from multilateral and bilateral development partners.

## **Significant Accounting Policies (Continued)**

### **iii) Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements at the time associated cash is received.

### **iv) Donations and grants**

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

### **v) Proceeds from borrowing**

Borrowing includes external loans acquired by the Project or any other debt the Project may take and will be treated on cash basis and recognized as a receipt during the year they were received.

### **vi) Undrawn external assistance**

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary.

## **10.5 Recognition of payments**

The Project recognises all payments when the event occurs, and the related cash has actually been paid out by the Project.

### **i) Compensation to employees**

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

## **Significant Accounting Policies (Continued)**

### **ii) Use of goods and services**

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be disclosed as pending bills.

### **iii) Interest on borrowing**

Borrowing costs that include interest are recognized as payment in the period in which they incur and paid for.

### **iv) Repayment of borrowing (principal amount)**

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

### **v) Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

## **10.6 In-kind donations**

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

## **Significant Accounting Policies (Continued)**

### **10.7 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

### **10.8 Restriction on cash**

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

### **10.9 Imprests and Advances**

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

### **10.10 Contingent Liabilities**

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:

### **Significant Accounting Policies (Continued)**

- i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

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

#### **10.11 Contingent Assets**

Kisumu Lvwatsan Project does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Kisumu Lvwatsan Project 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.

#### **10.12 Pending bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

## **Significant Accounting Policies (Continued...)**

### **10.13 Budget**

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation. A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been *included in an annex to these financial statements*.

### **10.14 Third party payments**

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments. and are disclosed in the payment to third parties' column in the statement of receipts and payments. During the year, Kshs **121,020,028** being grant disbursements were received in form of direct payments from third parties.

### **10.15 Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

## **Significant Accounting Policies (Continued)**

### **10.16 Comparative figures**

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

### **10.17 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, 2022.

### **10.18 Prior period adjustments**

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). There were no prior year adjustments.

## 11. NOTES TO THE FINANCIAL STATEMENTS

### 1. Transfers from Government entities

These represent counterpart funding and other receipts from government as follows:

	2021/22	2020/21	
	KShs	KShs	Cumulative to-date (from inception)
<i>Counterpart funding through Ministry Water, Sanitation and irrigation</i>			
Counterpart funds		13,980,689	15,349,864
RECIEPTS	35,000,000	-	35,000,000
<b>Total</b>	<b>35,000,000</b>	<b>13,980,689</b>	<b>50,349,864</b>

**Notes to the Financial Statements (Continued)**

**2. Proceeds From Domestic and Foreign Grants**

During the financial period to 30 June 2022, we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received donor currency		EX.rate	Grants received cash	Grants received as direct payment*	Grants received in kind	Total amount	
		Euro	KShs					2021/22	2020/21
<b>Grants Received from Bilateral Donors (Foreign Governments)</b>									
AFD/EIB/AITF	01.07.2021								107,545,436
	26.03.2021	129,996	130.553			16,971,394		16,971,394	
	26.03.2021	70,891	130.553			9,255,041		9,255,041	
	26.03.2021	98,452	130.553			12,853,181		12,853,181	
	26.03.2021	95,120	130.553			12,418,145		12,418,145	
	26.03.2021	88,495	130.553			11,553,255		11,553,255	
	22.02.2022	82,831	128.000			10,602,357		10,602,357	
	22.02.2022	35,561	128.000			4,551,867		4,551,867	
	22.02.2022	51,033	128.000			6,532,283		6,532,283	
	22.02.2022	20,661	128.000			2,644,623		2,644,623	
	02.12.2021	62,736	124.980			7,840,774		7,840,774	
	02.12.2021	20,584	124.980			2,572,529		2,572,529	
	02.12.2021	62,736	124.980			7,840,774		7,840,774	
	02.12.2021	20,584	124.980			2,572,529		2,572,529	
	02.12.2021	55,766	124.980			6,969,577		6,969,577	
	02.12.2021	18,296	124.981			2,286,706		2,286,706	
	22.02.2022	20,912	128.001			2,676,763		2,676,763	
	22.02.2022	6,861	128.000			878,230		878,230	
<b>Total</b>		<b>941,515</b>			<b>-</b>	<b>121,020,028</b>	<b>-</b>	<b>121,020,028</b>	<b>107,545,436</b>

**Notes to the Financial Statements (Continued)**

**3. Loan from External Development Partners**

During the financial period to 30 June 2022, we did not receive funding from development partners in form of loans negotiated by the National Treasury

**4. Purchase of Goods and Services**

	2021/2022			2020/2021	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	
<b>Services</b>					31,809,487
Project Management Consultancy	-	87,382,146	87,382,146	-	123,021,963
Technical Design & supervision Consultancy	-	33,637,882	33,637,882	25,083,144	58,721,026
Water Resources and Waste water Master plan in Kisumu County	-		-	62,226,301	117,859,318
Non-Revenue Water Technical assistance	-		-	34,216,680	34,216,680
Project Technical Assistant Consultancy	-	-	-	-	6,081,680
<b>Total</b>	-	<b>121,020,028</b>	<b>121,020,028</b>	<b>121,526,125</b>	<b>371,710,153</b>

**5. Acquisition of Non-Financial Assets**

	Payments made in Cash	Payments made by third parties	Total payments	Total payments	Cumulative to- date
	2021-2022			2020-2021	
	Kshs.	Kshs.	Kshs	Kshs	Kshs
Purchase of office furniture & general equipment	5,745,285	-	5,745,285	-	7,114,460
<b>Total</b>	<b>5,745,285</b>	<b>==</b>	<b>5,745,285</b>	<b>==</b>	<b>==7,114,460</b>

*Lake Victoria Water And Sanitation Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022*

**Notes to the Financial Statements (Continued)**

**6. Project Management Expenses**

No.	Nature of Expenditure	2021-2022	2020-2021
1	Land Exp.	427,850.00	-
2	ESIA Licenses	153,180.00	-
3	Training -Capacity Building	1,654,910.00	-
4	Advertisement &Publicity	3,198,503.40	-
5	Project Monitoring & Evaluation	3,338,505.00	-
6	Travelling & accommodation	609,100.00	-
7	Workshops & Conference	190,183.00	-
8	Stakeholders Engagement	1,096,984.20	-
9	Bank Charges	18,402.00	-
	<b>Total</b>	<b>10,687,618.00</b>	-

**7. Cash And Cash equivalents**

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank accounts (Note 8.A)	18,567,096.60	-
Cash in hand (Note 8.B)	-	-
Cash equivalents (short-term deposits) (Note 8.13C)	-	-
<b>Total</b>	<b>18,567,096.60</b>	-

Kisumu LVWATSAN project has 3 number of project accounts spread within the project implementation area and two number of foreign currency designated accounts managed by the National Treasury as listed below:

**8. A Bank Accounts**

**Project Bank Accounts**

Details	2021-2022	2020-2021
	Kshs	Kshs
Local Currency Accounts		
Central Bank of Kenya [A/c No.1000474912]	-	-
Kenya Commercial Bank [A/c No.1283193744]	18,567,096.60	-
Co-operative Bank of Kenya [A/c No.01141871351900]	-	-
NCBA PLC Bank [A/c No.4734350017]	-	-
<b>Total bank account balances</b>	<b>18,567,096.60</b>	-

**Notes to the Financial Statements (Continued)**

**Special Deposit Accounts**

The balances in the Project's Special Deposit Account(s) as at 30<sup>th</sup> June 2022 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

**Special Deposit Accounts Movement Schedule**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>(i) A/C Name [A/c No.....]</b>		
Opening balance	0	0
Total amount deposited in the account	0	0
Total amount withdrawn (as per Statement of Receipts & Payments)	<u>0</u>	<u>0</u>
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>(ii) A/c Name [A/c No.....]</b>		
Opening balance (as per the SDA reconciliation)	0	0
Total amount deposited in the account	0	0
Total amount withdrawn (as per Statement of Receipts & Payments)	<u>0</u>	<u>0</u>
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	<b><u>0</u></b>	<b><u>0</u></b>

*(The Special Deposit Account(s) did not have balances at the end of the year and reconciliation statement is not available.*

**9.FUND BALANCE BROUGHT FORWARD**

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank accounts	18,567,096.60	-
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
<b>Total</b>	<b>18,567,096.60</b>	<b>-</b>

*Lake Victoria Water And Sanitation Project*  
*Annual Report and Financial Statements for the financial year ended June 30, 2022*

**10. CHANGES IN RECEIVABLE**

Description	2021-2022	2020-2021
	Kshs	Kshs
Opening Receivables as at 1 <sup>st</sup> July 2021	-	-
Closing account receivables as at 30 <sup>th</sup> June 2022	105,000,000	-
Change in Receivables	<b>105,000,000</b>	-

**12. CHANGES IN ACCOUNTS PAYABLE**

Description	2021-2022	2020-2021
	Kshs	Kshs
Deposit and Retentions as at 1 <sup>st</sup> July 2021	-	-
Closing accounts payables as at 30 <sup>th</sup> June 2022	30,657,467	-
Change in payables	<b>30,657,467</b>	-

**Lake Victoria Water And Sanitation Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022**

**13. PRIOR YEAR AUDITOR-GENERAL'S RECOMMENDATIONS**

Reference No.on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Delayed disbursements and project implementation	Delay in disbursement of funds was slowed by the slow project implementation due to long procedures for funding fulfilment and procurement processes.	Partially resolved	30.10.2022
2	Budgetary Control and performance	The performances were affected by the slow implementation from the signing of finance agreements, subsidiary agreements and procurement plans.	Resolved	-
3	Unauthorized Expenditure-Lack of approved procurement plan	There was a procurement plan in place. The procurement in question was approved by the Donor.	Resolved	-

.....  
**Chrispine. O. Juma**  
Ag.Chief Executive Officer

.....  
**Mr. Paul Agwanda**  
Project Coordinator

*Lake Victoria Water And Sanitation Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022*

**14. ANNEXES**

**Annex1 - Variance explanations - Comparative Budget and Actual amounts for FY 2021-2022**

**ANNEX1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
<b>Receipts</b>					
Transfer from Government	140,000,000	35,000,000	105,000,000	25	(i)
Proceeds from foreign grants	600,000,000	121,020,028	478,979,972	20	(ii)
<b>Total Receipts</b>	<b>740,000,000</b>	<b>157,943,470</b>	<b>583,979,972</b>	<b>21</b>	
<b>Payments</b>					
Consultancy Services for Technical Studies, Design and Supervision of Works	2,000,000	-	2,000,000	0	
Consultancy Services for Water Resources and Waste Water Masterplan	35,000,000	33,637,883	1,362,117	96	
Technical Assistance and Capacity Building	90,000,000	87,382,145	2,617,855	97	
Consultancy Services for NRW Management and Water Supply in informal settlements	50,000,000	-	50,000,000	-	(iii)
Project Management Expenses	140,000,000	16,432,903	123,312,382	12	(iv)
Works Package 1	423,000,000	-	423,000,000	-	(v)
<b>Total payments</b>	<b>740,000,000</b>	<b>137,452,931</b>	<b>602,547,069</b>	<b>19</b>	

**Note:**

- i. Part of the funds were for compensation of land and the process of land negotiation and consultation is still on process Part of the funds were for works which is under procurement process
- ii. Part of the funds were for works whose contract was signed after the financial year. Attributed to delays in signing of works contracts. Contract for Works Package 1 has since been signed.
- iii. Delays occasioned by lengthy process of processing disbursement request at the MOWSI & NT
- iv. Part of the funds were for compensation of land and the process of land negotiation and consultation is still on process
- v. Part of the funds were for works whose contract was signed after the financial year

*Lake Victoria Water And Sanitation Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022*

**Annex 2 – Summary of Fixed Assets Register**

S/NO.	Asset class	Opening Cost (KShs) In st July 2021	Donations in form of assets (KShs) 2021/22	*Purchases/ Additions in the Year(KShs) 2021/22	**Disposals in the Year (KShs) 2021/22	Transfer in/(out)Kshs 2021/22	Closing Cost (KShs) as at 30th June 2022 (e)= (a)+ (b)+c)-(d)+(-)d
		(a)	(b)	(c)	(d)	(d)	
1	TOYOTA DOUBLE CABIN VEHICLE	6,424,275	-	-	-	-	6,424,275
2	HP COLOR LASERJET CP5225 (A3 COLOUR)	174,000					174,000
3	HP LASERJET PRO MFP M426fdw (A4 B&W)	54,520					54,520
4	2 DELTA UPS 600VA	20,880					20,880
5	4 WIRELESS MOUSE HP	7,888					7,888
6	4 HP SPECTRE X360 13-ae013dx LAPTOPS	596,240					596,240
7	1 HP SPECTRE X360 13-ae013dx LAPTOPS	149,060					149,060
8	MICROSOFT OFFICE PROFESSIONAL 2016	194,880					194,880
9	MICROSOFT WINDOWS 10	48,720					48,720
10	USB TYPE C HDMI CONNECTOR	4,060	-	-	-	-	4,060
11	4 PORTS TYPE C HUB	4,408	-	-	-	-	4,408
12	HP KEYBOARD K1500	2,088	-	-	-	-	2,088
13	HP 27ES 27" LED MONITOR	33,640	-	-	-	-	33,640
14	WIRELESS MOUSE HP	1,740	-	-	-	-	1,740

**Lake Victoria Water And Sanitation Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2022**

15	WATER DISPENSER HWDV2210B	17,995	-	-	-	-	1,740
16	DG CHAIRS (OFFICE CHAIRS)	55,655	-	-	-	-	17,995
17	OFFICE WORKSTATION 4 WAY	105,999	-	-	-	-	55,655
18	4 DRAWER CABINET 2TONE	75,996	-	-	-	-	105,999
19	CABINET 6FT 3 SHELF 2TONE	24,699	-	-	-	-	75,996
20	POWERLITE 6WAY EXTENSION CABLES	6,180	-	-	-	-	24,699
21	POWERLITE 4WAY EXTENSION CABLES	745	-	-	-	-	6,180
22	BINDING MACHINE PLATINUM		-	-	-	-	745
23	HUAWEI ROUTER (BLACK) SERIAL NUMBER Q2Q7S18B07000494:	10,000	-	-	-	-	-
24	Camera Canon EOS 80D DS126591. Serial No.373024002875. B		-	-	-	-	10,000
25	WHITE BOARD WITH RUBBER		-	-	-	-	-
26	15 no.B-3/A-3 BOOK CABINET 3DR		584,925				584,925
27	D-D4-2/KM-D4-2 FILE CABINET 4DRW		16,995				16,995
28	29 no. 512-3 VISITOR CHAIR		539,850				539,850
29	15 no. YC2010-1.8 EXECUTIVE DESK		900,000				900,000
30	15 No.NHTW-075A EXECUTIVE CHAIR		374,925				374,925
31	10 HP PAVILLION MODEL 15-TER 000-LAPTOPS		1,850,000				1,850,000
32	5 EPSON DESKTOP SCANNER LIGHT DUTY DS 1630		210,000				210,000
33	10 LASER JET PRINTERS PRO MFPM428 DW		1,250,000				1,250,000

**Lake Victoria Water And Sanitation Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022**

34	2 COAT HANGER-CHA 102				18,590			18,590
	<b>TOTAL</b>		8,013,668	-	5,745,285	-	-	<b>13,758,953</b>

**Annex 3a - ANALYSIS OF PENDING BILLS**

Supplier of Goods or Services	Original Amount (Tax incl.)	Date Contracted	Amount Paid To-Date	Outstanding balance 2021-2022	GOK PENDING BILLS (WHT)
	a	b	C	d=a-c	
(i) Consultancy Services for Technical Studies, Design and Supervision of Works Packages 1 & 2 in Kisumu City under LVWATSAN Program-Part 1-BRLI/ISEP	111,092,926	25.07.2017	84,364,920	26,728,006	1,846,800.00
(ii) Consultancy Services for Technical Studies, Design and Supervision of Works Packages 1 & 2 in Kisumu City under LVWATSAN Program Part 2- BRLI/ISEP	135,555,360	25.07.2017	-	135,555,360	5,452,232.40
(iii) Consultancy Services for Water Resources and Waste Water Masterplan in Kisumu County under LVWATSAN Program- BRLI/ISEP	226,382,504	23.08.2018	105,873,480	120,509,024	10,785,519.60
(v) Technical Assistance and Capacity Building to LVWATSAN Program-COWI	186,122,815	14.08.2018	121,375,171	64,747,644	1,840,200.25
(vii) Consultancy Services for NRW and Extension of Water Distribution to Informal Settlements-Phase 2-1-	179,218,800	02.09.2019	0	179,218,800	-

**Lake Victoria Water And Sanitation Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022**

SEURECA E.A LTD						
	838,372,405		311,613,571	526,758,834	19,924,752	

*Lake Victoria Water And Sanitation Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022*

**Annex 3b- ANALYSIS OF OTHER PENDING PAYABLES**

Name	Brief Description	Original Amount	Date Payable	Amount Contracted	Amount Paid To	Outstanding Balance 2022	Outstanding Balance 2021	Comments
<b>Others (specify)</b>								
1. LVSWWDA	PMU Salaries	5,855,892	30.06.22			5,855,892	-	
2.LVSWWDA	PMU Expenses	4,876,823	30.06.22			4,876,823	-	
<b>Total</b>		<b>10,732,715</b>				<b>10,732,715</b>	-	

*Lake Victoria Water And Sanitation Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022*

**Annex 8: Other Support Documents**

- i. Bank Reconciliations statement as at 30<sup>th</sup> June 2022
- ii. Board of Survey Report/Certificate of bank balance
- iii. Trial Balance

