

REPUBLIC OF KENYA



Enhancing Accountability



REPORT

OF

THE AUDITOR-GENERAL

ON

SUPPORT TO WASTE MANAGEMENT AT LAKE VICTORIA SOUTH PROJECT

CREDIT NO: BMZ-NO.201365352

FOR THE YEAR ENDED

30 JUNE, 2025

LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY

THE NATIONAL ASSEMBLY PAPERS LAID	
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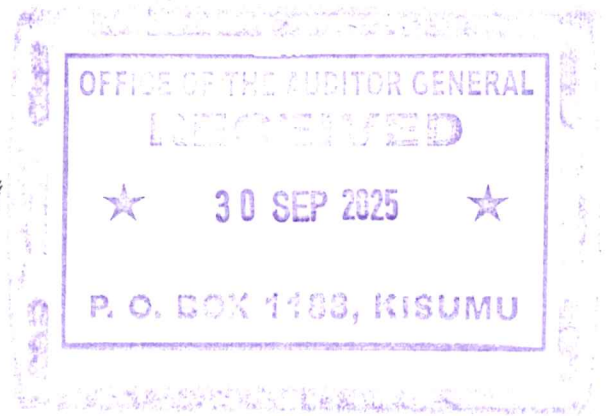
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SUPPORT TO WASTE WATER MANAGEMENT AT LAKE VICTORIA SOUTH

LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY

PROJECT GRANT/CREDIT NUMBER: BMZ-NO. 201365352

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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

*Support to Waste Water Management at Lake Victoria South Program
Annual Report and Financial Statements for the financial year ended June 30, 2025*

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1. Acronyms and Definition of Terms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
CT	County Treasury
CPA	Certified Public Accountants
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
KfW	Kreditanstalt für Wiederaufbau

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is Support to Waste Water Management at Lake Victoria South.

Objective

To contribute to the protection of Lake Victoria from pollution by improving the quality of waste water discharged into the Lake and catchment area by supporting last mile connectivity in the towns of Kericho, Liten and Kisii through the rehabilitation and expansion of water supply and Sanitation infrastructure.

Address

The project headquarters office is in Kisumu city, Kisumu County, Kenya.

Contacts: The following are the project contacts

P.O. Box: 3325-40100

Telephone: (254) 57 2025127

E-mail: info@lvswda.go.ke

Website: www.lvswda.go.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	2 nd August 2023
Project End Date:	30th June 2028
Project Coordinator:	Eng. Paul Agwanda
Project Development Partner:	German financial cooperation (KfW) /GOK

2.3 Project Overview

State departments	State Department of Water & Sanitation
Project number	CREDIT NUMBER: BMZ-NO. 201365352
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ol style="list-style-type: none"> i. Contribute to the sustainable and equitable use of clean water and basic sanitation facilities by the population and to the protection of water resources; ii. Contribute to the protection of Lake Victoria from pollution by improving the quality of waste water discharged into the lake and catchment area.
Summary of Project Strategies for achievement of strategic goals	<p>The project management aims to achieve the goals through the following means: -</p> <ol style="list-style-type: none"> i. Rehabilitation and expansion Waste Water Treatment Plant (WWTP) in Kericho; ii. Construction of Faecal sludge treatment facility in Litein. iii. Increasing the number of persons that could benefit from the increased capacities. iv. Rehabilitation, expansion and densification of Water Supply system and connection to additional plots.
Other important background information of the project	The project aims at providing sufficient, hygienic, economically viable and affordable water to 274,000 people and improved sanitation to 76,500 people within the towns of Kericho, Kisii, and Litein towns.
Areas that the project was formed to intervene	<p>The project was formed to intervene in the following problems/gaps:-</p> <ol style="list-style-type: none"> (i) Litein Town - water supply and Wastewater (ii) Kisii Town – Water supply (iii) Kericho Town - water supply and Wastewater
Project duration	5Years

**Support to Waste Water Management at Lake Victoria South Program
Annual Report and Financial Statements for the financial year ended June 30, 2025**

2.4 Bankers

This is the bank for the project

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

2.5 Independent Auditor

The project is being audited by Auditor general.
Office of the Auditor General of Kenya,
Anniversary Towers
P. O. Box 30084-00100
NAIROBI

2.6 Roles and Responsibilities

Names	Title Designation	Key Qualification	Responsibilities
Ms. Jackline Kemunto	Chief Executive Officer	MBA (Strategic Management) BCOM – (Mgt. Option)	Accounting Officer
Eng. Paul Omondi Agwanda	Senior Manager Water Works Service	MSc. Eng. in Water Resource Management Bsc. Civil Eng.	Program Coordinator
Eng. Michael Opany	Manager Planning and Design	Bsc. Civil Engineering, Msc.	Project Engineer
Eng. Geoffrey Kurgat	Principal Engineer	Bsc. Civil Engineering, Msc.	Assistant Project Engineer
Eng. Vincent K. Koskei	Senior Engineer	Civil Engineering, Msc	Assistant Project Engineer (Sanitation)
CPA. Rosemary Chelangat	Manager Finance & Accounts	Msc Finance, BBA, CPAK	Project Accountant
Mr. George Ageng'o	Chemist/Environmental	Ma in Project planning and management	Project implementation team
Mr. Daniel Rading	Principal Supply Chain Management Officer	BA Degree, MBA	Procurement Expert

2.7 Funding summary

The Project is for a duration of 5 years from 2023 to 2028 with an approved budget of 20 Million Euros equivalent to KShs.3.033 Billion as highlighted in the table below:

**Support to waste water Management at Lake Victoria South Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Development Partner Commitment		Amount received to date – (30 th June 2025)		Undrawn balance to date	
	Development Partner currency (Euros)	KShs	Development Partner currency	KShs	Development Partner currency (Euros)	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
(i) Loan						
KFW	18,000,000	2,729,700,000	84,656	12,838,120	17,915,344	2,716,861,880
(ii) Counterpart funds						
Government of Kenya	2,000,000	303,300,000	197,824	30,000,000	1,802,176	273,300,000
Total	20,000,000	3,033,000,000	282,480	42,838,120	19,717,520	2,990,161,880

*Using Central Bank exchange rate of 1 Euro= Ksh151.6500 as at 30th June 2025.

*Support to Waste Water Management at Lake Victoria South Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2025)		Cumulative amount paid to date – (30 th June 2025)		Unutilised balance to date (30th June 2025)	
	Development Partner currency (Euros)	KShs	Development Partner currency (Euros)	KShs	Development Partner currency (Euros)	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
KFW	84,656	12,838,120	84,656	12,838,120	-	-
(ii) Counterpart funds						
Government of Kenya	197,824	30,000,000	13,529	2,051,700	184,295	27,948,300
Total	282,480	42,838,120	98,185	14,889,820	184,295	27,948,300

*Using Central Bank exchange rate of 1 Euro= Ksh151.6500 as at 30th June 2025.

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

- i. Budget performance for the project for the current year under review was at KShs.14,889,820 absorption and the overall programme budget is at KShs.42,838,120 drawn cumulative to-date.
- ii. The consultancy for design and supervision is at 35% progress. The Consultant has completed the review of feasibility studies, designs and preparation of tender documents for works that include the following proposed work packages: -
 - i) Lot 1 – Rehabilitation and improvement of Water Supply and reticulation network for Kisii;
 - ii) Lot 2 – Rehabilitation and expansion of Water Supply and Sanitation for Kericho and Litein.

Further, shortlisting of works contractors for both Lots has been completed as required by the KfW procurement regulations.

- iii. The absorption rate for the project is at 18% for the first year of implementation.

2.9 Summary of Project Compliance:

- There are no non-compliance issues with applicable laws and regulations, and essential external financing agreements/covenants that are in the project.

3. Statement of Performance against Project's Predetermined Objectives

Introduction

Section 81(2)(f) /Section 164 (2)(f) of the Public Finance Management Act, 2012, requires that the Accounting Officer include a statement of the national government Agency's performance against predetermined objectives at the end of each financial year.

The key development objectives of the project's agreement/ plan are to: - (To be changed)

- a) Contribute to the sustainable and equitable use of clean water by the population (274,000) and to the protection of water resources.
- b) Contribute to the sustainable and equitable use of basic sanitation facilities by the population (76,500) and to the protection of water resources.
- c) Contribute to the protection of Lake Victoria from pollution by ensuring the waste water parameters of discharged waste from Kericho and Litein are 100% compliant with NEMA standards of discharge to the environment.

Progress on the attainment of strategic development objectives

To implement and cascade 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 to track progress and performance measurement.

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**Support to Waste Water Management at Lake Victoria South Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Below, we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator
Support to Waste Water Management at Lake Victoria South	a) Contribute to the sustainable and equitable use of clean water by the population (274,000) and to the protection of water resources	Reduction in cases of water borne diseases.	% reduction of diseases
	b) Contribute to the sustainable and equitable use of basic sanitation facilities by the population (76,500) and to the protection of water resources	Reduction in cases of air borne diseases.	% reduction of diseases.
	c) Contribute to the protection of Lake Victoria from pollution by ensuring the waste water parameters of discharged waste from Kericho and Litein are 100% compliant with NEMA standards of discharge to the environment.	Improved water quality of Lake Victoria.	% reduction of pollution

4. Environmental and Sustainability Reporting

1. Sustainability strategy and profile

To guarantee sustainability of the program, the Agency has ensured engagement of stakeholders from inception of each of the projects. Through various forms of engagement, the stakeholders' concerns have been addressed during implementation, in line with the Agency's Stakeholder Engagement Policy. The technical designs adopted were all feasible with minimum operations and maintenance costs taking into account economic and social impacts. Conveyance of water by gravity has been adopted for all feasible scenarios to reduce costs of operations and maintenance. For each project within the program, the relevant Water Service Company staff were well trained on accompanying measures.

2. Environmental performance

The Agency has an Environmental Management Policy in place that provides a holistic framework to guide the management of the environment and natural resources in the Agency area. It further ensures that the linkage between the environment and poverty reduction is integrated in all Agency processes and institutions in order to facilitate and realize sustainable development at all levels in the context of green economy enhancing social inclusion, improving human welfare and creating opportunities for employment and maintaining the healthy functioning ecosystem.

The objectives of this environmental policy are to: Ensure Environmental Governance and Compliance, Minimize Environmental Impacts, Promote Sustainable Water Resource Use, Promote safely managed sanitation services, To promote equitable, sustainable and safely managed sanitation services that reduces ecological footprint and negative impacts, Protect and Enhance Biodiversity, Address Climate Change: To integrate climate change considerations into planning and operations, mitigate greenhouse gas emissions, and adapt to the impacts of climate change on water resources, Foster Stakeholder Engagement and Transparency, Enhance Environmental Awareness and Capacity: Promote Continuous Improvement: Integrate Environmental Considerations into Decision-Making and Monitoring Environmental Compliance:

During the reporting year, the Agency implemented the following strategies to comply with environmental compliance;- (to be considered as per specific project needs).

- Policy Dissemination and Communication
- Environmental and Social Impact Assessment (ESIA) and Environmental Audits
- Monitoring and Measurement
- Stakeholder Engagement and Public Participation
- Training and capacity building
- Emergency Preparedness and Response
- Auditing and review and/or
- Continuous improvement

3. Employee welfare

The Agency has 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.

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, employees set their targets and eventually evaluate them through annual appraisals. The evaluation enables employees of the Agency to be upskilled, helped or otherwise redeployed and upscaled.

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

4. Marketplace practices-

Efforts made by the Agency are:

a. Responsible Supply chain and supplier relations.

LVSWWDA carries out procurement and disposal of assets in strict conformity to the Public Procurement and Asset Disposal Act and its attendant Regulations with its preferred procurement method being the Open Tender.

LVSWWDA ensures prompt debriefing of suppliers concerning their tender results. All contractual obligations are honored while maintaining cordial partnership with suppliers during contract execution.

b. Responsible ethical practices

All engagements between LVSWWDA and suppliers and/or contractors, encompasses honesty, transparency, and consistency in actions, decisions, and communication. Project managers exhibit integrity to demonstrate a commitment to truthfulness, fairness, and ethical conduct. By upholding these principles, we foster an environment of trust among stakeholders involved in the project.

c. Regulatory impact assessment

LVSWWDA encourages public participation and also clearance by relevant Govt Agencies to ensure consumer rights and interests are not infringed.

5. Community Engagements

During the year, LVSWWDA engaged in a number of corporate social responsibility activities which impacted immensely on the lives of the beneficiary communities. The organization carried out several which included:

1. The Agency donated tree seedlings planted at Labwe valley area during world Environmental day.

5. Statement of Project Management Responsibilities

The Chief Executive Officer for the Lake Victoria South Water Works Development Agency and the Project Coordinator 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 the financial year 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 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.

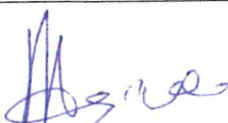
The Chief Executive Officer for the Lake Victoria South Water Works Development Agency and the Project Coordinator accept responsibility for the Project's financial statements, which have been prepared on the accrual basis method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.


The Chief Executive Officer for the Lake Victoria South Water Works Development Agency and the Project Coordinator are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June 30, 2025, and of the Project's financial position as at that date. The Chief Executive Officer for the Lake Victoria South Water Works Development Agency and the Project Coordinator 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 and the adequacy of the systems of internal financial control.

The Chief Executive Officer for the Lake Victoria South Water Works Development Agency and the Project Coordinator 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

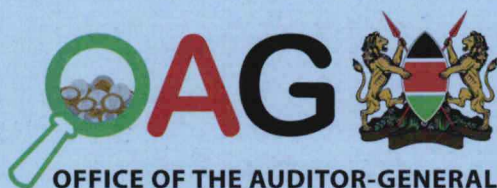
The Project financial statements were approved by the Chief Executive Officer for the Lake Victoria South Water Works Development Agency and the Project Coordinator on 29/09 2025 and signed by:


Ms. Jackline Kemunto
Chief Executive Officer


Eng. Paul Agwanda
Project Coordinator

REPUBLIC OF KENYA

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Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON SUPPORT TO WASTE MANAGEMENT AT LAKE VICTORIA SOUTH PROJECT CREDIT NO: BMZ-NO.201365352 FOR THE YEAR ENDED 30 JUNE, 2025 - LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY

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 Support to Waste Management

Report of the Auditor-General on Support to Waste Management at Lake Victoria South Project Credit No: BMZ-NO.201365352 for the year ended 30 June, 2025 – Lake Victoria South Water Works Development Agency

at Lake Victoria South Project Credit No: BMZ-NO.201365352- Lake Victoria South Water Works Development Agency set out on pages 1 to 19, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of statement of 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 matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Support to Waste Management at Lake Victoria South Project Credit No: BMZ-NO.201365352 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 Loan Financing Agreement No. BMZ-No 201365352 dated 28 November, 2022, and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unsupported Cash and Bank Balances

The statement of financial position reflects cash and cash equivalent balances of Kshs.27,948,300 as disclosed in Note 8 to the financial statements. However, the balance was unsupported by way of cash book, bank reconciliation statements and the certificate of bank balance as at 30 June, 2025.

In the circumstances, the accuracy and the fair statement of cash and cash equivalent balances of Kshs.27,948,300 as at 30 June, 2025 could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Support to Waste Management at Lake Victoria South Project Credit No: BMZ-NO.201365352 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.

Other Information

Management is responsible for the Other Information set out on page v to xv which comprise of; Project Information and overall performance, Statement of Performance against projects predetermined objectives, Environmental and Sustainability Reporting and the Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

Basis for Conclusion

In connection with my audit on the Project'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.

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 effects of the matter 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

Failure to Open Project Bank Account

The statement of financial position reflects a balance of Kshs.27,948,300 in respect to cash and cash equivalents. These project funds were not kept in a separate Project Account at the Central Bank of Kenya contrary to Section 76(1) of the Public Finance Management (National Government) Regulations, 2015 which provides that for the purpose of disbursement of project funds, there shall be opened and maintained a project account for every project at Central Bank of Kenya unless it is exempted by the Cabinet Secretary, in writing.

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

The audit was conducted in accordance with ISSAIs 3000 and 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 Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern 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 Director 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

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 for 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 IFPP 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, GBS
AUDITOR-GENERAL

Nairobi

01 October, 2025

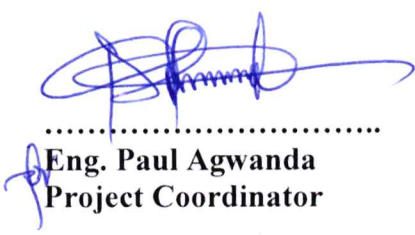
*Support to Waste Water Management at Lake Victoria South Project
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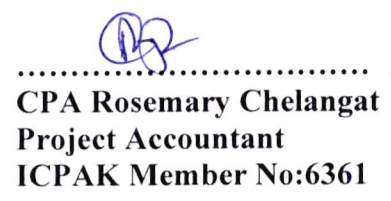
7. Statement of Financial Performance for the Year Ended 30th June 2025.

	Notes	2024-2025
		KShs
Revenue		
Revenue Transfers	6	14,889,820
Total revenue		14,889,820
Expenses		
Use of goods and services		-
Total expenses		-
Surplus/ (deficit)		14,889,820

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


.....
Ms. Jackline Kemunto
Chief Executive Officer


.....
Eng. Paul Agwanda
Project Coordinator


.....
CPA Rosemary Chelangat
Project Accountant
ICPAK Member No:6361


*Support to Waste Water Management at Lake Victoria South Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*


8. Statement of Financial Position as at 30th June 2025

	Note	2024-2025	1 st July 2024
		KShs	KShs
Assets			
Current Assets			
Cash and Cash equivalents	8	27,948,300	-
Total Current Assets		27,948,300	-
Non-Current Assets			
Property, Plant and Equipment	9	14,889,820	-
Total Non- Current Assets		14,889,820	-
Total Assets (a)		42,838,120	-
Liabilities			
Current Liabilities			
Deferred Income	10	27,948,300	-
Total Current Liabilities		27,948,300	-
Total Liabilities (b)		27,948,300	-
Net Assets (a-b)		14,889,820	
Represented By:			
Accumulated Surplus		14,889,820	-
Total Net Assets		14,889,820	-

The financial statements were approved on 29/09 2025 and signed by:


.....
Ms. Jackline Kemunto
Chief Executive Officer


.....
Eng. Paul Agwanda
Project Coordinator


.....
CPA Rosemary Chelangat
Project Accountant
ICPAK Member No.6361

**Support to Waste Water Management at Lake Victoria South Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

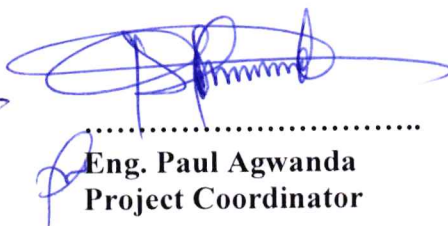
9. Statement of Changes in Net Assets

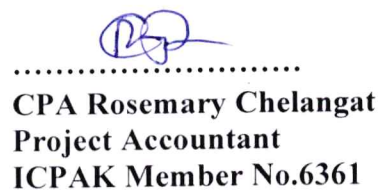
Description	Accumulated Surplus
	Kshs
As at 30 th June 2024 (Cash Basis)	-
Adjustments:	
Asset Recognition	
Liabilities recognition	-
As at 1 st July 2024	-
Surplus/(Deficit) for the year	14,889,820
As at 30 th June 2025	14,889,820

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

The financial statements were approved on 29/09/2025 2025 and signed by:


.....
Ms. Jackline Kemunto
Chief Executive Officer


.....
Eng. Paul Agwanda
Project Coordinator


.....
CPA Rosemary Chelangat
Project Accountant
ICPAK Member No.6361

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10. Statement of Cashflow for the year ended 30th June 2025

Description	Note	2024-2025
		KShs
Cashflow from operating activities		
Receipts		
Revenue Transfers	6	42,838,120
Total receipts		42,838,120
Payments		
Use of goods and services		-
Certified Works		-
Total payments		-
Net cash flow from operating activities	11	42,838,120
Cashflow from investing activities		
Acquisition of non-financial assets		(14,889,820)
Net cash flows from investing activities		(14,889,820)
Cash flow from financing activities		
Specify the activity		-
Net cash flow from financing activities		-
Net increase/Decrease in cash and cash equivalents	8	27,948,300
Cash and cash equivalent at 1st July 2024		-
Cash and cash equivalent at end June 2025	8	27,948,300

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11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2025

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget Carry Overs from previous periods		-	-	-	-	-
Receipts						
Development Partner	50,000,000	-	50,000,000	12,838,120	37,161,880	26%
Gok Counterpart	40,000,000	(10,000,000)	30,000,000	2,051,700	27,948,300	7%
Total Revenue	90,000,000	(10,000,000)	80,000,000	14,889,820	65,110,180	19%
Payments						
Work In Progress	90,000,000	(10,000,000)	80,000,000	14,889,820	65,110,180	19%
Certified Works	-	-	-	-	-	-
Total Payments	90,000,000	(10,000,000)	80,000,000	14,889,820	65,110,180	19%
Surplus	-	-	-	-		

Budget notes

1. Since the project Development partner component is a direct payment, the project started at Consultancy stage which the first payment has only been made and Design is in process. Resean for 26% absorption of the budget being withdrawn.
2. The project is still in the preliminary stage of feasibility and design hance payment of to the Consultant is very low. The Project is fully Capitalized.

Budget Reconciliation

	Description of Particulars	Amount in KShs
	Actual Surplus Amounts as per the statement of Budget	-
	Reason for differences	-
1	Revenue received	42,838,120
2	Work in Progress	(14,889,820)
	Cash and cash equivalent at end June 2025	27,948,300

12. Notes to the Financial Statements

1. General Information

LVSWWDA is established by and derives its authority and accountability from Water Act, 2016 of Legal Notice No. 28 of 26th April 2019. The Agency is wholly owned by the Government of Kenya and is domiciled in Kenya. The Agency's principal activity is to construct water and sanitation infrastructure.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

Guiding note during the transition period:

The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS), or the Agency has taken advantage of the transitional provisions under IPSAS 33, and therefore these 1st/ 2nd/ 3rd/year financial statements are transitional financial statements and the following elements of the financial statements have not been recognized as the Agency has taken advantage of the transition provisions outlined in IPSAS 33.

These financial statements were authorized for issue by the accounting officer on 15/07/2025

3. Adoption of New and Revised Standards

i) New and amended standards and interpretations in issue effective in the year ended 30 June 2025.

Standard	Effective date and impact:
IPSAS 45- Property Plant and Equipment	<p>Applicable 1st January 2025 The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure asset under- maintenance of assets and distinguishing significant parts of infrastructure assets. The standard will be applicable in the project financial statement when stating the value of Land, the infrastructure is seating on.</p>
IPSAS 46 Measurement	<p>Applicable 1st January 2025 The objective of this standard was to improve measurement guidance across IPSAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</p>

**Support to Waste Water Management at Lake Victoria South Project
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Standard	Effective date and impact:
	<p>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</p> <p>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</p> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025

Standard	Effective date and impact:
IPSAS 47- Revenue	<p>Applicable 1st January 2026 This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an Agency shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48- Transfer Expenses	<p>Applicable 1st January 2026 The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers. It is applicable and expect to bring impact on transfer of funds from the line Ministry.</p>

iii) Early adoption of standards

The Agency adopt any new or amended standards in the financial year since it is also a new project to be funded in the current year.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

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 have been acquired using such funds.

ii) Revenue from exchange transactions

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.

b) Budget information

The original budget for FY 2024/2025 was approved by the Council or Board on 15/07/2024. 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 to conclude the final budget. Accordingly, the Agency did not record additional appropriations on the FY 2024/2025 budget following the Council/ Board'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 cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 1 under section 5 of these financial statements.

c) 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 or construction of the item of property appropriately according to the acronyms you use in your

**Support to Waste Water Management at Lake Victoria South Project
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Notes to the financial statements

financial statements plant and equipment. 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.

d) Leases

Finance leases are leases that transfer substantially the entire 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 to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Agency will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

e) 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.

f) 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:

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

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

g) 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 Company's financial statements. (amend as appropriate). A financial instrument is any contract that gives rise to a financial asset of one Agency and a financial liability or equity instrument of another Agency. At initial recognition, the Agency 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.

Financial assets

Classification

The Agency 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 Agency'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 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 a 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 Agency has made an irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the Agency 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.

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 Agency 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.

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.

Financial liabilities

Classification

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

h) Inventories

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

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

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

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

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Agency.

Notes to the financial statements

i) Provisions

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

Contingent liabilities

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

Contingent assets

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

j) Nature and purpose of reserves

The Agency creates and maintains reserves in terms of specific requirements. (Agency to state the reserves maintained and appropriate policies adopted).

k) 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.

l) Employee benefits

Retirement benefit plans

The Agency provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Agency pays fixed contributions into a separate Agency (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the

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Notes to the financial statements

Employee (Cont..)

payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

m) 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.

n) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

o) Related parties

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

p) Service concession arrangements

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

q) 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.

r) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

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.

Estimates and assumptions.

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

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

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

Provisions

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

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. (Include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

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Notes to the financial statements

6. Revenue Transfers

	FY 2024-2025
	KShs
Conditional Transfers	
GoK Counter Part funding	30,000,000
Transfers from Development partners (KFW)	12,838,120
Total Conditional Transfers (b)	12,838,120
Total Transfers for the Year (a + b)	42,838,120

a) Details to Revenue Transfers

Name of The Agency Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Amount moved to Capital fund	Total transfers (FY 2024-2025)
	KShs	KShs	KShs	KShs
GOK Funding	2,051,700	27,948,300	-	30,000,000
(KFW)	12,838,120			12,838,120
Total	14,889,820	27,948,300	-	42,838,120

7. Work in Progress

De scription	FY 2024/25	FY 2024/25
	Euros	KShs
Consultancy Services	84,656	12,838,120
Domestic travel and subsistence	13,529	2,051,700
Total		14,889,820

*Use Translating rate at 1 Euro = KShs 151.6500 as at 30th June 2025 Central bank

8. Cash and Cash Equivalentents

Description	2024-2025	1 st July
	KShs	KShs
Cash in Bank	27,948,300	-
Total Cash and Cash Equivalentents	27,948,300	-

Project Bank Accounts		
Details	2024-2025FY	1 st July 2024
Local Currency Accounts	KShs	KShs
Kenya Commercial Bank [A/c No. 11040345464]	27,948,300	-
Total bank account balances	27,948,300	-

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Notes to the financial statements**

9. Property, Plant and Equipment

Cost	Motor vehicles	Furniture and fittings	ICT Equipment	Other Assets (specify)	Capital Work in progress	Total
	KShs	KShs	KShs	KShs	KShs	KShs
Depreciation rate	25%	30%	33%	25%		
As At 1 July 2024 (opening balances)	-	-	-	-	-	-
Additions	-	-	-	-	14,889,820	14,889,820
Disposals	-	-	-	-	-	-
As at 30th June 2025	-	-	-	-	14,889,820	14,889,820
Depreciation And Impairment						
As at 1 July 2025	-	-	-	-	-	-
Depreciation charge for the year	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-
As At 30th June 2025	-	-	-	-	-	-
Net Book Values						
As at 1st July 2024	-	-	-	-	-	-
As at 30th June 2025	-	-	-	-	14,889,820	14,889,820

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Notes to the financial statements

10. Deferred Income

Description	2024-2025	1 st July 2024
	KShs	KShs
Gok Counterpart funds received	27,948,300	-
Development Partners	-	-
Others specify	-	-
Total Deferred Income	27,948,300	-

The amount is the balance received from the GOK Counterpart for project unutilized/ not yet provided for in the project votes.

Deferred Income Movement Schedule

	Gok Counterpart funds	Others specify	Total
	KShs	KShs	KShs
Balance as at 1 st July 2024	-	-	-
Additions	30,000,000	-	30,000,000
Transfers To Performance Statement as Revenue	(2,051,700)	-	(2,051,700)
Balance as at 30 th June 2025	27,948,300	-	27,948,300

11. Cash Generated from Operations

Description	FY 2024-2025
	KShs
Surplus/Deficit for the year	27,948,300
Adjusted for:	
Depreciation	-
Non-cash grants received	-
Working capital adjustments	
Increase in deferred income	-
Increase in payments received in advance	-
Net cash flow from operating activities	27,948,300

**Support to Waste Water Management at Lake Victoria South Project
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Notes to the financial statements**

12. 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.

Other related parties include:

- i) The Parent Ministry.
- ii) County Governments
- iii) Key management.
- iv) Board of Directors.

Description	FY 2024-2025
	KShs
Transactions with related parties	
a) Grants /transfers from the government	
Grants from national govt	30,000,000
Total	30,000,000

13. Events after the Reporting Period

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

14. Ultimate And Holding Agency

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

15. Currency

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

*Support to Waste Water Management at Lake Victoria South Project
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13. Annexes

Annex 1: 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)
N/A	This Financial statement is the first one.			



Ms. Jackline Kemunto
Chief Executive Officer



Eng. Paul Agwanda
Project Coordinator

*Support to Waste Water Management at Lake Victoria South Project
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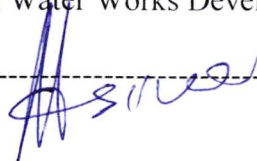
Annex 2: Reconciliation of inter-Agency transfers

Project Name:				
Breakdown of transfers from the State Department of Water and Sanitation				
a.	Government Counterpart funding			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		25/09/2024	3,333,333.66	FY 2024-2025
		08/10/2024	3,333,333.33	FY 2024-2025
		20/11/2024	6,666,666.67	FY 2024-2025
		22/11/2024	3,333,333.33	FY 2024-2025
		15/01/2025	2,666,666.60	FY 2024-2025
		19/05/2025	10,666,666.40	FY 2024-2025
		Total	30,000,000.00	
B.	Direct payments			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		29/11/2024	12,838,120.31	FY 2024-2025
		Total	12,838,120.31	
		Total (A+B)	42,838,120.31	

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

Project Coordinator
Lake Victoria South Water Works Development Agency

Sign



Head of Accounting Unit
Ministry of Water and Sanitation and Irrigation

Sign

Annex 3: Fixed Asset Register

Asset class	Historical Cost b/f 2023-2024(KShs)	Additions during the year (KShs)	Disposals during the year (KShs)	Transfers in/(out) during the year	Historical Cost c/f 2024-2025(KShs)
Work in Progress	-	14,889,820	-	-	14,889,820
Total				-	14,889,820