

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**LAKE VICTORIA NORTH WATER  
WORKS DEVELOPMENT AGENCY**

**FOR THE YEAR ENDED  
30 JUNE, 2023**





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**LAKE VICTORIA NORTH WATER WORKS DEVELOPMENT AGENCY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30<sup>TH</sup> JUNE 2023**

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





**Lake Victoria North Water Works Development Agency  
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for the year ended June 30, 2023.**

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## 1. Acronyms, Abbreviations and Glossary of Terms

### A: Acronyms and Abbreviations

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

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



## B: Glossary of Terms

**Fiduciary Management-** Members of Management directly entrusted with the responsibility of financial resources of the Agency during the financial year ended 30<sup>th</sup> June 2023

**Comparative Year-** Means the prior period

## 2. Key Entity Information and Management

### (a) Background information

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

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

### (b) Principal Activities

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

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

### Vision

Water and Sanitation for All.

**Lake Victoria North Water Works Development Agency  
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**Mission**

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

**Core Values**

- **Integrity:** The organization will endeavour to operate above board in all its operations
- **Quality Services:** The organization will endeavour to provide services that meet the expectations of its customers.
- **Good Governance:** The organization will conduct its affairs in a transparent and accountable manner; and seek stakeholder participation in decision-making process.
- **Team Work:** The organization will seek to have an organization built on teamwork and high level of discipline.

**Key Management**

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

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

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Eng. Gongi S. Peter- up to 24 <sup>th</sup> April 2023 / CPA Anthony Kisaka from 24 <sup>th</sup> of April 2023 to 26 <sup>th</sup> November 2023 Mr. Joel M. Wamalwa from 27 <sup>th</sup> November 2023 to date
2.	Chief Manager-Finance and Resource Mobilization	CPA Anthony Kisaka
3.	Chief Manager-Technical Services	Eng. George Oddeh



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No.	Designation	Name
4.	Chief Manager-Internal Audit and Risk Management	CPA Michael Wasike
5.	Chief Manager-Corporate Services	Ms Nelly Mkoko up to 28 <sup>th</sup> April 2023/ Mr. Tom Musungu from 2 <sup>nd</sup> May 2023 to 30 <sup>th</sup> June 2023.
6.	Corporation Secretary	CS Elizabeth Ngala

**(d) Fiduciary Oversight Arrangements**

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

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

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

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

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

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

**Development partner oversight activities**

For projects funded by external development partners, quarterly reports are submitted. The funds are audited by external auditors appointed by the Development Partners on an annual basis.

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**(e) Agency Headquarters**

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

**KAKAMEGA**

Tel: 254- 56-30795

Fax: 254-056-31506

E-mail: [info@lvnwwda.go.ke](mailto:info@lvnwwda.go.ke)

Website: [www.lvnwwda.go.ke](http://www.lvnwwda.go.ke)

**(f) Bankers**

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

**KAKAMEGA**

Cooperative Bank  
Kakamega Branch  
P.O Box 595- 50100

**KAKAMEGA**

**(g) Independent Auditors**

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

**(h) Principal Legal Adviser**

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



### 3. The Board of Directors

#### **John Otee Imoite (Born 1971) Chairman of the Board**

The President of the Republic of Kenya as Non-Executive Board Chair of Lake Victoria North Water Works Development Agency with effect from 19<sup>th</sup> May 2023 up to 6<sup>th</sup> August 2023. Subsequently, the Cabinet Secretary for Water, Sanitation and Irrigation appointed him as the Board's Chairman from 7<sup>th</sup> August 2023. He is a civic education specialist with a BA in Literature and History. He is a managing partner at the Performance Training Centre and a board member of the ACME Development Organisation (NGO).



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

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



#### **Abraham Kipkogei Cheruiyot (Born 8.5.1982), Member of the Board of Directors**

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





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

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



**Dr. Daniel Omoro Achach (Born 28.2.1982), Member of the Board of Directors**

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



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

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





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**Samuel Kipkoech Kiptorus (Born 18.2.1968) - Member of the Board of Directors and Chairman Finance & Administration Committee**

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



**Julius Bakasa Wasike, HSC (Born 6.6.1965)**

The Cabinet Secretary for Water, Sanitation and Irrigation appointed him as the Board's Chairman on 7<sup>th</sup> August 2020 as non-executive Board Chair of Lake Victoria North Water Works Development Agency. He holds a BA degree in Public Administration and Political Science. He was previously the Director of Special Programmes at the County Government of Bungoma. His appointment was revoked through gazette notice No.6284 dated 19<sup>th</sup> May 2023.



**Zipporah Kaari Matasi (Born 24.12.1961)**

She was appointed as a non-executive director of Lake Victoria North Water Works Development Agency on 6<sup>th</sup> October 2021. She holds a Master's in Project Management from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Postgraduate Diploma in Project Management from DALC College, Bachelor of Commerce degree, Accounting option from the University of Nairobi. Previous engagements include Director health administration services at the County Government of Trans Nzoia, a trustee at the coffee development fund among others. She is the Chairperson of the Governance, Audit and Risk Committee and a member of Technical & Environmental Committee. Her appointment was revoked through gazette notice No.6284 dated 19<sup>th</sup> May 2023.





**Oliver Aganya Keverenge (Born 15.12.1973) - Member of the Board of Directors**

He was appointed as a Non- Executive director of Lake Victoria North Water Works Development Agency with effective 5<sup>th</sup> July 2022. He has over 25 years' experience in private sector having worked with Kenya Airways Limited and Homebound Realtors Ltd. Has wide Knowledge and experience in budgeting and cash management, land administration, risk management, project management and human resource management amongst others.

He is the Chief Executive Officer and proprietor of North Consult Limited. He holds a Bachelors of Arts degree in Land Economics from the University of Nairobi. He has also attended several courses, seminars, workshops and training. His appointment was revoked through gazette notice No.6284 dated 19<sup>th</sup> May 2023.



**John Watson Masaba (Born 25.1.1975) - Member of the Board of Directors**

He was appointed as a Non- Executive director of Lake Victoria North Water Works Development Agency with effective 5<sup>th</sup> July 2022. He has over 21 years' experience in both public and private sector having worked in the Ministry of Devolution and Planning, Kenya National Housing and Population Census, Standard Chartered Bank, Kenya Commercial Bank, Bank of Africa, ABC Bank and Trans National Bank. Has wide Knowledge and experience in performance management, relationship management, project monitoring and evaluation.

He is the management consultant and a former director micro and small enterprise tribunal. He holds a Bachelors of Arts degree in Economics and Master's degree in Operations Management from the University of Nairobi. He has also attended several courses, seminars, workshops and training. His appointment was revoked through gazette notice No.6284 dated 19<sup>th</sup> May 2023.





**Anne Desma Chimoso Chilande (Born 11.05.1981), Member of the Board of Directors and Chairperson Technical & Environmental Committee**

She was appointed as a Non- Executive director of Lake Victoria North Water Works Development Agency on 6th October 2021. She holds BA counselling psychology degree, Diploma counselling psychology, Diploma social work and community development, Advanced diploma biblical studies, Diploma in water resources and management, A Trainer of Trainers, certificate in disaster risk reduction and emergency preparedness and response. She is also a Disaster risk reduction ambassador recognized by worldwide encouragement society. She is a founder of Rethink Mental health care Kenya (closing gaps in mental health issues and co- founder western partners' empowerment link community based organization. Previous engagements include Director at NGO funded by compassion international and accountant in the same organization. She is the Chairperson of the Technical & Environmental Committee and a member of Governance, Audit and Risk Committee. She resigned from the Board on 10<sup>th</sup> November 2022.



**Mr. Paul Asele (Born 1.10.1962) - Member, of the Board of Directors**

Mr. Paul Asele is the Principal Secretary, Ministry of Water, Sanitation and Irrigation's representative to the Agency from 28<sup>th</sup> July 2021. He has over 30 years' experience in the public sector having worked in various Government Ministries including Planning, Education, Home Affairs, State Law Office, National Police Service and Regional Development. Has wide Knowledge and experience in strategic planning, budgeting, performance management, project monitoring and evaluation.

He is the Director Economic Planning at the Ministry responsible for projects monitoring and evaluation, co- convening of Medium-Term Expenditure Framework Budget process and Performance management. He holds a Bachelors of Arts degree in Economics and Master's degree in Economics from the University of Nairobi. He has also attended several courses, seminars, workshops and training locally and internationally. He was replaced by Eng. Simon K. Korir with effect from 20<sup>th</sup> January 2023.





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**Eng. Samson Peter Gongi (Born 14.12.1963)**

He was appointed the Acting Chief Executive Officer of Lake Victoria North Water Works Development Agency on 14<sup>th</sup> July 2021. He holds a Master's degree in Environmental Engineering and Management from Jomo Kenyatta University of Agriculture and Technology 2016 and a Bachelor of Science in Agricultural Engineering from the University of Nairobi 1989.

He has over 30 years working experience in the Public Sector which include 3 years as Director of Irrigation and Drainage in the Ministry of Water Sanitation & Irrigation, 3 years working as Provincial Irrigation Officer Central Province, 10 years designing and implementation of irrigation projects and Earth Dams and 15 years in Management of Agricultural Machinery and Development of Agricultural equipment. He is a registered professional Engineer with Engineers Board of Kenya and a Corporate member with Kenya Institute of Engineers. Trained in various fields including; Strategic leadership & Management; Senior Management; Irrigation design and Implementation; Design of Small dams & Water Pans; Management of Agricultural Machinery; Soil and Water Conservation etc. Prior to his appointment.

He proceeded on terminal leave awaiting retirement on 24<sup>th</sup> April 2023.



**CPA Anthony Chebulobi Kisaka (Born 26.1.1979) -Ag. Chief Executive Officer**

He was appointed the Acting Chief Executive Officer of Lake Victoria North Water Works Development Agency with effect from 24<sup>th</sup> April 2023.

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





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

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

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

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

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

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

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




**Mrs Elizabeth Ngala (Born 27.8.1977) - Corporation Secretary**

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





4. Key Management Team

	<p><b>Eng. Samson Peter Gongi (Born 14.12.1963)</b></p> <p>He was appointed the Acting Chief Executive Officer of Lake Victoria North Water Works Development Agency on 14<sup>th</sup> July 2021. He holds a Master’s degree in Environmental Engineering and Management from Jomo Kenyatta University of Agriculture and Technology 2016 and a Bachelor of Science in Agricultural Engineering from the University of Nairobi 1989.</p> <p>He has over 30 years working experience in the Public Sector which include 3 years as Director of Irrigation and Drainage in the Ministry of Water Sanitation &amp; Irrigation, 3 years working as Provincial Irrigation Officer Central Province, 10 years designing and implementation of irrigation projects and Earth Dams and 15 years in Management of Agricultural Machinery and Development of Agricultural equipment. He is a registered professional Engineer with Engineers Board of Kenya and a Corporate member with Kenya Institute of Engineers. Trained in various fields including; Strategic leadership &amp; Management; Senior Management; Irrigation design and Implementation; Design of Small dams &amp; Water Pans; Management of Agricultural Machinery; Soil and Water Conservation etc. Prior to his appointment.</p> <p>He proceeded on terminal leave awaiting retirement on 24<sup>th</sup> April 2023.</p>
	<p><b>CPA Anthony Chebulobi Kisaka (Born 26.1.1979) -Ag. Chief Executive Officer</b></p> <p>He was appointed the Acting Chief Executive Officer of Lake Victoria North Water Works Development Agency with effect from 24<sup>th</sup> April 2023.</p> <p>He is a Certified Public Accountant and he holds a B.com and an MBA from University of Nairobi. He is a financial management and accounting professional with over 15 years of extensive experience in financial planning, analysis, reporting, resource mobilization and Strategic planning.</p>





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

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

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

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

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

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

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



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

He holds a Masters of Business Administration and BSc Civil Engineering from the University of Nairobi. Registered with Engineers Board of Kenya and Corporate member of the Institution of Engineers of Kenya.

He has 26 years professional experience in designs, supervision and management of water and sanitation systems.  
He heads the Infrastructure Development Department.



**Mr. Tom Musungu- Born 25.10.1970**  
**Ag. Chief Manager Corporate Services**

He was appointed Ag. Chief Manager Corporate service on 02.05.2023. He holds a Master of Business Administration(Marketing) from Kenya Methodist University and Bachelor of Arts from the University of Nairobi. He is a member of the Marketing Society of Kenya and a member of the Public Relations Society of Kenya.

He has 23 years' professional experience in Sales and Marketing, corporate communications, public relations and management.  
He heads the corporate services Department.





**CPA Michael Wasike – Born 18<sup>th</sup> June 1976  
Ag. Chief Manager Internal Audit & Risk  
Management**

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



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

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

## 5. Chairman's Statement



I am pleased to present to you the Lake Victoria North Water Works Development Agency Financial Report for the year ended 30<sup>th</sup> June 2023. This was indeed a very good year for the Agency as is reflected in the ongoing infrastructural growth momentum, and progress made towards establishing LVNWWDA as a critical player in the provision of water and sanitation services in its areas of jurisdiction. Lake Victoria North Water Works Development Agency (LVNWWDA) is one of the Nine Water Works Development Agencies established under the Water Act 2016, Legal notice No. 28 of 26<sup>th</sup> April, 2019 amended with variations and modifications made through Legal Notice No. 5 of 4<sup>th</sup> February, 2020 as part of the reforms which sought to improve governance and service provision in the water sector. The mandate for the Agency is to undertake the development, maintenance and management of the national public water works within its area of jurisdiction which comprise six (6) counties of Bungoma, Kakamega, Vihiga, Busia, Trans -Nzoia, and Nandi.

In undertaking our activities as per the Agency's mandate, we are guided by a five-year Strategic Plan for the Period 2023-2027, the Water Act 2016 and the Constitution of Kenya 2010. The Constitution places water services provision function under the county governments, leaving Major infrastructural developments within the purview of the national government.



During the period under review, the Agency continued with its infrastructural investments programmes geared towards expanding service provision to our people in order to keep up with the growing demand for our services.

In the period under review, the majority of these were implemented under the KOICA PHASE II together with the Government of Kenya. In addition, there were a number of small water supplies, boreholes, shallow wells and dams financed by the national government which were also operationalised during the period. The bulk of these small water supply projects funded by the national government majorly target the rural population which apparently form the bulk of our stakeholders. The Agency managed to commission 6 projects in Bungoma, 2 in Busia, 1 in TransNzoia, 6 in Nandi, 1 in Vihiga and 6 in Kakamega. Majority of the projects across our area of jurisdiction are still ongoing.

The enormous success as is depicted in this statement is attributable to the sound corporate governance and management of infrastructure at the Agency. I thank the Government of Kenya through the Ministry of Water, Sanitation and Irrigation, our development partners and other stakeholders for their support and co-operation during the period. Finally, I also thank the Board of Directors for their continued commitment and support for providing the necessary oversight that has steered LVNWWDA in the right direction; the Management and staff for their dedication and hard work without which this exemplary performance could not have been achieved. I look forward to continued support as we look forward to expanding the access to adequate, quality and affordable water and sanitation services within our area of service.



**John Otee Imoite**

**Chairman of the Board**

**Lake Victoria North Water Works Development Agency**



## 6. Report of the Chief Executive Officer



The financial year ending 30<sup>th</sup> June 2023 was one of the most successful in the history of Lake Victoria North Water Works Development Agency, as can be seen in the Financial Report.

This year saw the completion of a number of major water supply projects in various locations within the Agency area with financial support from our various development partners including the KOICA (Korea), African Development Bank (AfDB) and the Republic of Kenya through the Ministry of Water, Sanitation and Irrigation. The Agency plans to improve water and services coverage by increasing access to potable water from 63% to 100% and increasing sanitation coverage from 23% to 80% for urban settlements, respectively by 2030. This will be achieved through construction, expansions and rehabilitation of various water supply and sewerage systems across six counties.

As an Agency, we managed to complete the following projects which are placed in different categories. Completed projects under water for schools include; in TransNzoia County; Kwanza Friends Boys High School, Kwanza Girls, Kwanza Primary, Kabuyefwe girls and St. Francis Kolongolo Girls School; in Kakamega County; Mukhalanya primary, Sabane primary, Bumini Secondary, Mukumu Girls and Ileho primary.; In Nandi County; St. Paul's Kamonjil primary, kamonjil Secondary, AIC Tabongenik primary, Tabongenik Secondary, AIC Bishop Muge Primary and Sirinoni Primary.; in Bungoma County; St. Augustine Likhuna Girls school, St. Peters Nakalila primary and secondary and Kamukuywa primary school. Under Hospitals category, the following projects were completed; Kwanza Health centre in TransNzoia county, Mechimeru and Bumula Health Centre in Bungoma County,



Mbale referral and Emusire health centre in Vihiga County and Busia referral in Busia county. Under Kenya Towns Sustainable water and sanitation projects, we have Kiptogot Kolongolo water project.

The following are ongoing water projects, In Nandi County, there is Nandi Hills water supply project, Sirisia- Chwele (Chepyuk ward and Kibabii Complex KOICA Phase II) in Bungoma County, Malaba Town water supply project and malaba Sanitation project in Busia County. Last mile Connectivity for kakamega town in Kakamega County.

And lastly, the following are proposed projects in area of coverage; keben dam and water supply project for Nandi Hills towns, kipkurere dam and water supply project, kabiyet-kaboinwater supply project, chepterit cluster and kapsabet town sewage in Nandi County, Kakamega County has ; kakamega – Bungoma Bulk water and sanitation project, Malava constituency project-Lot 1 malava town gravity water supply and sanitation project, Malava project-Lot 2 Namagara, Lot 3 shirugu, Butere-Bukura-Khwisero water supply, Kakamega sewage and Mumias sewage. In Bungoma; Mt. Elgon –Bungoma –Busia water project(malakisi dam), Sosio-Lugulu-Tongaren, Central Naitiri, Kimilili sewage, Webuye sewage and Bungoma Kibabii sewage project. In Vihiga there is; Last Mile Connectivity project for Vihiga Cluster water project, Greater Vihiga water project, Vihiga Cluster Lot 1 (Mbale-Chavakali), Vihiga Cluster Lot 2 (kaimosi-Cheptul-Shamakhokho-chavakali) sewage and Vihiga Cluster Lot 3 (Luanda Maseno) sewage project. In Busia; Mt. Elgon-Bungoma-Busia water project, Last Mile Connectivity project for malaba town, Port Victoria –sisenye-Budalangi-ruambwa, Last Mile connectivity for Malaba wastewater collection system, Busia sewage project and Nambale sewage project. And Last Mile Connectivity Kiptogot Kolongolo, sosio Teldet water project, Mosongo water project, Expansion of kitale water supply, Kaptega dam and Kitale sewage project.

We will continue to work in partnership with all our stakeholders to ensure that the goals and aspirations set out in the Strategic Plan are achieved in an efficient and prudent manner.



**Mr. Joel M. Wamalwa**  
**Chief Executive Officer**  
**Lake Victoria North Water Works Development Agency**



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7. Statement of Performance against Predetermined Objectives for Financial Year  
2022/2023

LVNWWDA had 3 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2022/2023. These strategic pillars/ themes/ issues were as follows:

- **Pillar/theme/issue 1:** Increase water coverage from 63% to 64% by June 2023
- **Pillar/theme/issue 2:** Increase sewerage coverage from 33% to 34% by June 2023
- **Pillar/theme/issue 3:** Enhance the capacity of one (1) Water Service Provider through trainings by June 2023

LVNWWDA developed its annual work plans based on the above 3 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Agency achieved its performance targets set for the financial year 2023 period for its 3 strategic pillars, as indicated in the table below:

Objective	Key Performance Indicators	Activities	Achievements
Increase water coverage from 63% to 64% by June 2023	Progress reports, quarterly monitoring reports, and completion certificates	Drilling and equipping of boreholes	20 No. schools connected to water supply projects under the water for school programme.
	Progress reports, quarterly monitoring reports, and completion certificates	Drilling, equipping and solarizing of boreholes	4No. projects boreholes completed under the Cross County Water Supply Programme.
	Progress reports, quarterly monitoring reports, and completion certificates	Drilling, equipping, solarizing and construction of boreholes	Implemented 6No. water projects under the National Water Harvesting and Ground Water Storage Programme.
	Progress reports, quarterly monitoring reports, and completion certificates	Drilling, equipping, solarizing and construction of boreholes	11No. projects under the Universal Health Care Coverage Programme completed

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Objective	Key Performance Indicators	Activities	Achievements
	Monitoring of Project progress through site meetings and visits by management		
	Processing of IPCs and attending to contract-based correspondences		
	Construction of access road and associated utilities		
	Technical Inspections, Coordination and Supervision by PIU		
	Construction of works	Progress report, Register of correspondence and Submission	71.70% out of targeted 50.00% Sirisia-Chwel
	Office operations and logistics	correspondences	(KOICA) Phase 2 Developed
	Carrying out needs assessment, projects concepts and bridging pre-feasibility study and feasibility study gaps for proposed new projects		
	Assessment of Water and Sewerage Assets, Liaison & Capacity Building Confirmation of land parcels for construction sites and wayleaves for pipeline routes		
Increase sewerage coverage from	Confirmation of land parcels for construction sites and wayleaves for pipeline routes	Land Search Reports/Cadastral/Project Map overlays, Minutes of	Preparation for Malava Town Sanitation Project.



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Objective	Key Performance Indicators	Activities	Achievements
33% to 34% by June 2023	Signing of lease / sale agreements with Project Affected Persons, Making Payments for Compensations and processing of land easements for pipeline wayleaves and construction sites: This includes payments to PAPs	Meeting and progress report.	
Enhance the capacity of one (1) Water Service Provider through trainings by June 2023	Training reports and certificates	Held 16 No. Trainings for Water service providers	1. Management of Non Revenue Water - Trained 2 number water companies Buwasco and Viwasco
	Training Needs Assessment report		2. Water Quality Monitoring - Trained 2 number water companies Buwasco and Viwasco 3. Corporate Governance - Trained 4 number water companies Kackwasco, Buwasco, Kapsabet Nandi and Viwasco 4. Monitoring and Evaluation / Business

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Objective	Key Performance Indicators	Activities	Achievements
			Planning - Trained 4 number water companies Buwasco, Viwasco, Kapsabet Nandi water and sanitation Company and KACWASCO



## 8. Corporate Governance Statement

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

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

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

### Board charter

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

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

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

### The role and responsibilities of the Board

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

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

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

#### **Separation of powers and duties of the Chairman and the Chief Executive Officer (CEO)**

The separation of the functions of the Chairman (a non-executive director) and the Chief Executive Officer (executive director) supports and ensures the independence of the board and management as provided for in Mwongozo, the Code of Governance for state corporations 2015. The balance of power, increased accountability, clear definition of responsibilities and improved decision-making are attained through a clear distinction between the non-executive and executive roles. The chairman's responsibilities include the operation, leadership and governance of the Board. The chief executive officer's roles and responsibilities remain the day-to-day management of the Agency's business and overseeing the implementation of strategy and policies approved by the Board.

#### **How the Board works**

The Board is solely responsible for its agenda. However, it is the responsibility of the chairman and the corporation secretary, working closely with the Chief Executive Officer, to come up with the annual Board work plan and an agenda for the board meetings.

The Board meets at least four times a year and the meetings are structured in a way that allows for open discussions.

Comprehensive Board papers are prepared and circulated to all directors for all substantive agenda items at least ten days prior to the meeting. This allows time for the directors to undertake an appropriate review of the Board papers to facilitate full and effective discussions at the meetings. The submissions and notification period may be waived should any urgent and critical matters arise within the ten-day period to the date of the meeting.

Members of the senior management team may be invited to attend the Board meetings if deemed necessary to make presentations on their areas of responsibility. This serves as an opportunity to give the directors greater insights into their business areas.

The directors are responsible for ensuring that the business strategies proposed are fully discussed, and critically reviewed and appropriate directives given. This enables the directors to promote the success of the Agency for the benefit of its stakeholders, with



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consideration of, among other matters, the interests of employees, and the fostering of relationships with stakeholders.

**Board Committees**

In line with the Mwongozo, the Code of Governance for state corporations 2015, the Board has delegated its authority to committees to deal with specific aspects of its responsibilities. These committees have specific terms of reference and reports to the full Board meeting. LVNWWDA has the following Board committees: -

Finance and Administration Committee, whose main duties are: - To review financial statements, annual budgets, Procurement Plans, staff remuneration and terms of service; appointments and disciplinary actions for senior staff; general welfare of the Agency's employees, legal compliance, ICT and corporate affairs. The Committee held five (5) ordinary meetings the attendance is summarised below;

	NAME OF DIRECTOR	ORDINARY	ATTENDED	REMARKS
1.	Samuel K. Kiptorus	5	5	Attended all meetings
2.	Paul Asele	5	3	Replaced on 20.1.2023.
3.	Anne Desma Chilande	5	3	Resigned on 10.11.2022.
4.	Eng. Samson Peter Gongi	5	5	Proceeded terminal leave on 24.4.2023.
5.	John W. Masaba	5	3	Appointed on 5.7.2022. Rotation of Committee membership.

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

S/NO	NAME OF DIRECTOR	MEETINGS	ATTENDED	REMARKS
1.	Zipporah Matasi	4	3	Rotation of Committee membership.
2.	Paul Asele	4	2	Replaced on 20.1.2023.
3.	Samuel K. Kiptorus	4	4	Attended all meetings

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4.	Oliver Keverenge	4	3	Appointed on 5.7.2022.
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- ii. Technical and Environmental Committee, whose focus is on issues arising from the Agency's stewardship of essential water infrastructure and has a duty of reviewing the conditions and performance of technical assets including projects. The committee is also tasked with safeguarding the environment. The Committee held four (4) ordinary meetings during the financial year. The attendance is summarised below;

S/NO	NAME OF DIRECTOR	MEETINGS	ATTENDED	REMARKS
1.	Anne Desma Chilande	4	2	Resigned on 10.11.2022.
2.	Paul Asele	4	2	Replaced on 20.1.2023.
3.	Zipporah Kaari Matasi	4	4	Attended all meetings
4.	John Watson Masaba	4	3	Appointed on 5.7.2022.
5.	Oliver Keverenge	4	3	Appointed on 5.7.2022.
6.	Eng. Samson Peter Gongi	4	4	Attended all meetings

**Full Board**

The Board of Directors held Six (7) ordinary meetings including board evaluation. The Board with approval from the Cabinet Secretary, Ministry of Water, Sanitation and Irrigation held six (6) special meetings during the financial year in strict compliance with Mwongozo and applicable Laws. The attendance is summarised below;

S/NO	NAME OF DIRECTOR	ORDINARY	ATTENDED	SPECIAL	ATTENDED	REMARKS
1.	Hon. Julius Bakasa Wasike	7	6	6	6	Appointment revoked on 19 <sup>th</sup> May 2023
2.	Anne Desma Chilande	7	4	6	0	Resigned on 10.11.2022.
3.	Paul Asele	7	4	6	2	Replaced on 20.1.2023.
4.	Samuel K. Kiptorus	7	7	6	0	Absent with leave



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5.	Zipporah Kaari Matasi	7	7	6	6	Appointment revoked on 19 <sup>th</sup> May 2023
6.	John Watson Masaba	7	5	6	6	Appointed on 5.7.2022.
7.	Oliver Keverenge	7	4	6	6	Appointed on 5.7.2022.
8.	Eng. Simon Korir	7	1	6	4	Appointed on 20.1.2023.
9.	Eng. Samson Peter Gongi	7	7	6	1	Proceeded terminal leave on 24.4.2023.
10.	CPA Anthony Kisaka	7	1	6	1	Appointed on 24.4.2023
11.	John Otee Imoiote	7	1	6	0	Appointed on 19.5.2023
12.	Petronila Were	7	1	6	0	Appointed on 19.5.2023
13.	Abraham Cheruiyot	7	1	6	0	Appointed on 19.5.2023
14.	Eng. Butichi Khamisi	7	1	6	0	Appointed on 19.5.2023
15.	Daniel Achach	7	1	6	0	Appointed on 19.5.2023

**Role of the Corporation Secretary**

In line with Mwongozo, the Code of Governance for State Corporations 2015 the Agency has a Corporation Secretary whose role is;

- Providing a central source of guidance and advice to the Board, and the Agency, on matters of statutory and regulatory compliance and good governance;
- Providing the Board and the directors individually with guidance on how their responsibilities should be discharged in the best interests of the Agency;
- Facilitating the induction training of new directors and assisting with the directors' professional development as required. This includes identifying and facilitating continuous board education;
- In consultation with the CEO and the chairman, ensuring effective flow of information within the Board and its committees and between senior management and non-executive directors. This includes timely compilation and distribution of board papers and minutes.



- Guiding the Agency in taking the initiative to not only disclose corporate governance matters as required by law but also information of material importance to decision-making by stakeholders;
- Keeping formal records of Board discussions and following up on the timely execution of agreed actions.

#### **Conflict of Interest**

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

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

#### **Appointment and removal of directors**

The appointments of the Board members and removal are as provided for under Section 66 (1) read together with the first schedule of the Water Act, 2016.

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

#### **Ethics and Conduct**

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

#### **Whistleblowing policy**

The Agency has a whistle-blowing policy anchored under the Bribery Act, 2016 that provides for reporting of unethical practises without fear of retaliation from the suspected individuals.

The whistleblowing policy provides a platform for employees, suppliers, contractors and other stakeholders to raise concerns regarding any suspected wrongdoing, and the policy details how such concerns are addressed.



**Board induction and training**

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

**Board Evaluation**

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

**Board remuneration**

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

**9. Management Discussion and Analysis**

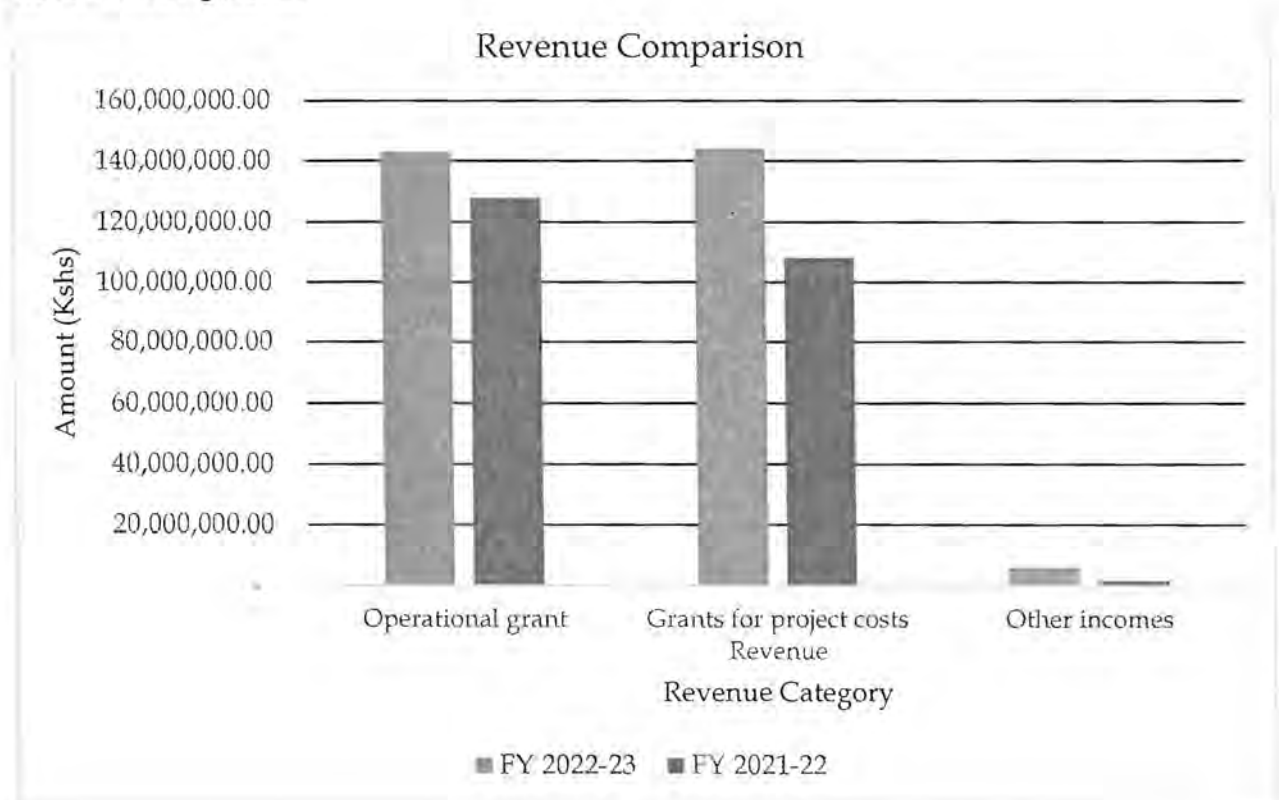
**Financial Performance**

During the 2022/23 FY, LVNWWDA received an allocation of Kshs 1,368.2 million from the Ministry of Water, Sanitation and Irrigation broken down into Kshs 143 million for salaries and administration purposes and Kshs 1,225.2 million for project costs.

The entity also earned Kshs 5.9 Million being miscellaneous income.

The total income for the year stood at Kshs 327,154,502 against an expenditure of Ksh 332,379,281 before depreciation. LVNWWDA transferred a total deficit of Kshs 354,320,688 after incorporating depreciation, interest due and provisions.

**Revenue comparison**

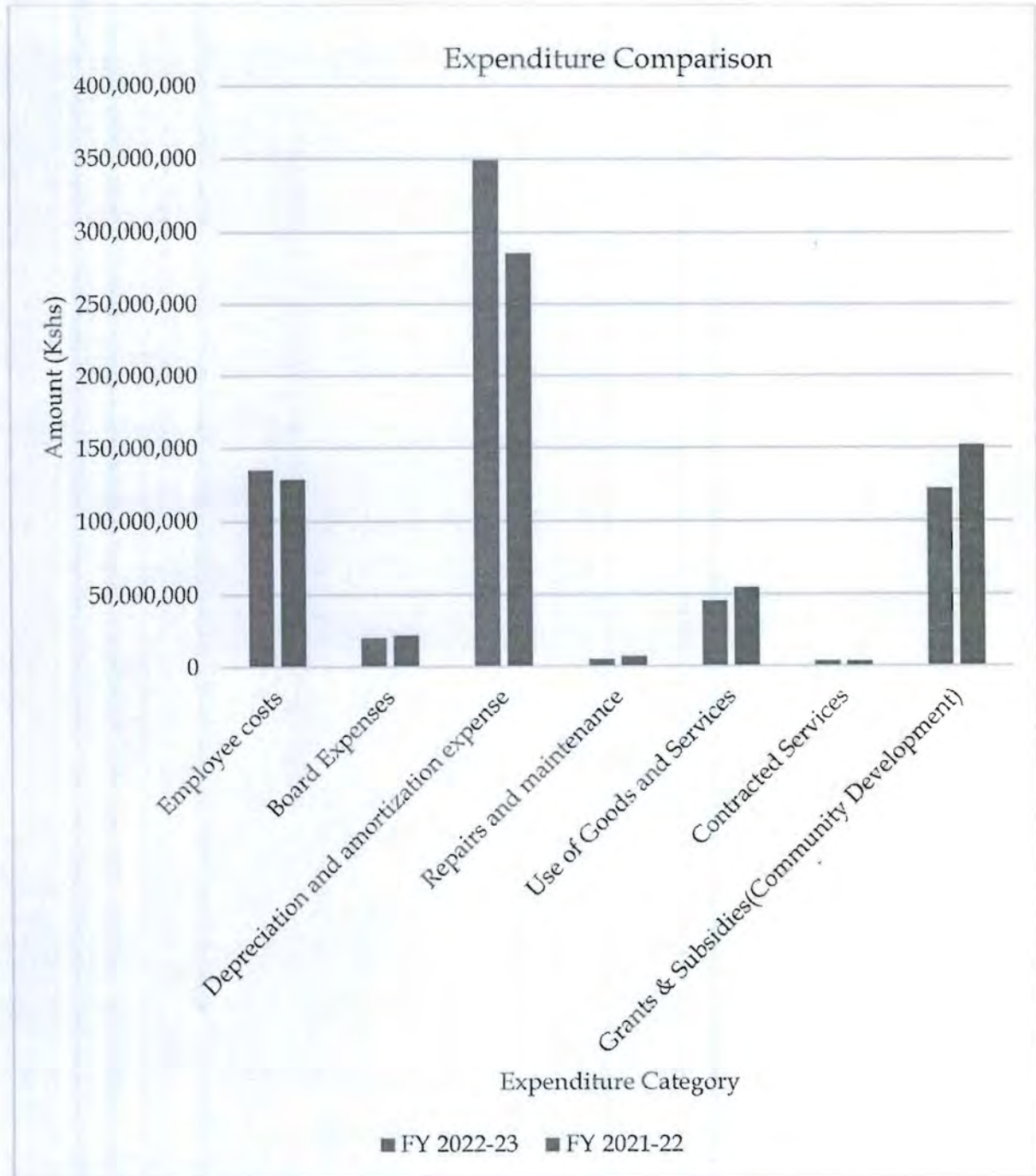




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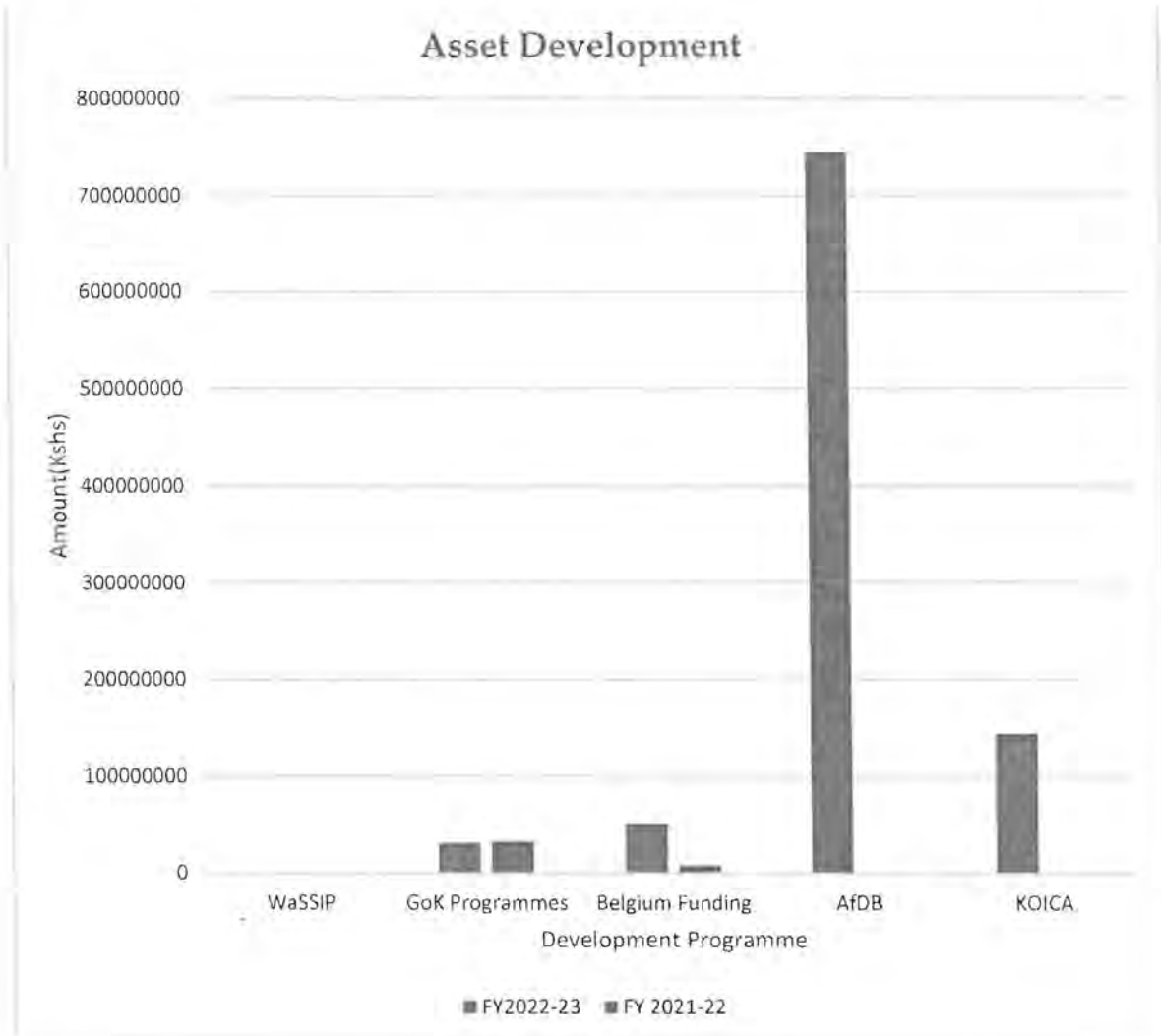
**Expenditure comparison**

The chart below gives a breakdown of the expenditure comparison for the years 2021/22 and 2022/23:



**Asset development**

LVNWWDA developed assets worth Kshs 971,192,688 in the 2022/23 FY most of which are in work in progress. The chart below gives a breakdown of capital works in progress during the year;



**Major Risks**

LVNWWDA is faced with the following risks:

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

**Projects implemented or were ongoing in the year**

Developing innovative and sustainable water services solutions that transform life and inspire progress underpins our corporate mission. In the period under review, and as part



of implementation of our strategic plan, LVNWWDA continued to implement the following key projects, during the 2022/2023 FY:

- i. Vihiga Cluster Water Project-Belgium Funding
- ii. Sirisia – Chwele (KOICA II – Chepyuk-Kibabii Complex) Water Supply project
- iii. Malava Water Supply projects
- iv. Mt Elgon-Busia Gravity Water project
- v. AfDB-Malaba water & sewerage, Kiptogot Kolongolo

### **Compliance with statutory requirements**

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

### **Key challenges**

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

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

## 10. Environmental and Sustainability Reporting

### i) Sustainability strategy and profile

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

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

LVNWWDA executes the objectives through the following:-

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



**(a) Our People, Values and Processes**

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

**Diversity and Equal Opportunity**

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

**(b) Stakeholder Engagement**

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

**Reporting**

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

**Customer Focus**

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

A service charter was rolled out, and cascaded to all departments and staff and they are displayed at various strategic places in the organization. The compliance to the service charter is monitored on a regular basis, and plans are made on how to reduce or eliminate the non-compliances.

**ii) Environmental performance**

Environmental and Social Sustainability refers to concerted efforts to mitigate against environmental degradation and social impacts. It is the maintenance of the factors and

practices that contribute to the quality of environment on a long term basis as well acceptable social norms over the long term. It involves making decisions and taking action that are in the interests of protecting the natural and social environment, with particular emphasis on preserving the capability of the environment to support human life; and social wellbeing of communities.

LVNWWDA as a state corporation with key functions Undertake the development, maintenance and management of water and sanitation services infrastructure is cognizant of the possible impacts ( both positive and negative) resulting from interaction of the organization's activities with both physical and social environment.

As such, LVNWWDA is committed to environmental conservation and protection as well as safeguarding of health and safety of workers within the premises and projects. Through the integrated Environment, Health and Safety policy statement, the organization commits to protecting the environment, preserving the health and safety of employees and communities, and ensuring safe development of water and sanitation infrastructure within the its area of jurisdiction.

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

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

#### Approach

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

- a) Operational Environmental Policy
- b) Resettlement Action Policy
- c) Public Participation Policy
- d) Electronic Waste Policy



## **Environmental sustainability activities**

### **Environmental sustainability planning**

Lake Victoria North Water Works Development Agency has developed Environmental Management System with objectives and policies that are relevant to its context, products, services and any interested parties for the development, maintenance and management of water and sanitation infrastructures. Our procedures are defined within Environmental Management System 14001:2015 framework that assist the Agency in achieving the environmental goals and consistent controls of its operations.

### **Environmental Unit**

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

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

LVNWWDA participatory approach has ensured best delivered projects supported by international Financial partners. However, implementing international safeguards has exposed gaps in our local regulatory frameworks causing project delays, litigations and cost of claims.

### **Pollution prevention and abatement**

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

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

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

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

- All motor vehicles are being regularly serviced as per manufacturer's recommendations.

### **Climate change mitigation and adaptation**

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

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

Promoting Environmental protection and conservation through partnerships with stakeholders

LVNWWDA continually work together with partners such as County governments, community members, WRA, NEMA, Water Resource Users Associations, local administrations etc. within its area of jurisdiction to enhance participation of stakeholder and sustainability of projects.

#### **Environmental education and awareness**

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

Social sustainability activities

Socio-economic impact assessment

Environment and Social safeguards framework is now conceived as being the tool for identifying and managing the social issues of project development, and includes the effective engagement of affected communities in participatory processes of identification, assessment and management of social impacts. Social Safeguards contributes to the ongoing management of social issues throughout the whole project development cycle, from conception to post-closure. LVNWWDA focuses on social impact assessment to enhance the benefits of projects to impacted communities. This is necessary for the project to earn its



'social license to operate; Enhancing benefits covers a range of issues, including- modifying project infrastructure to ensure it can service local community needs; providing social investment funding to support local social sustainable development and community visioning processes to establish strategic community development plans; a genuine commitment to maximizing opportunities for local content (i.e. jobs for local people and local procurement) by removing barriers to entry to make it possible for local enterprises to supply goods and services; and by providing training and support to local people.

Where people's assets and properties are affected, the LVNWWDA ensures that appropriate Resettlement Action Policy (RAP) is applied hence, there is prior and informed consent from the project affected persons, there is prompt and adequate compensation for any loss; and where people are resettled to enable a project to proceed, the Agency ensures that their post-resettlement livelihoods are restored and enhanced.

Other Social sustainability activities include:

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

Environment and social sustainability management systems

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

### **Environmental and social Management Plans**

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

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

### **Health and safety management plans**

In accordance with the requirements of the Occupational Safety and Health Act 2007, a Health and Safety Management Plan (HSMP) is prepared for each project being



implemented by LVNWWDA. The objective of a HSMP is to establish safe working practices and standards, which are employed on site and to detail the organizational requirements and obligations of the contractor.

**Grievance Redress Mechanism.**

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

**Conclusion**

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

**iii) Employee welfare**

**Our Culture and Values**

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

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

**Employee Welfare**

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



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

### **Labour Relations**

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

### **Staff Training and Development**

To ensure that LVNWWDA not only attracts but also retains the best talent, the Agency aims to nurture employee's careers by making relevant opportunities accessible and helping them to develop skills, knowledge and experience in different functions or specialization.

Staff training needs are identified annually during performance appraisals and training needs assessments then they are factored in the training plan for implementation.

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

### **Employee Engagement**

The staff are committed to the realization of the LVNWWDA's mandate. Focus is on delivering an employee experience where staff feel strongly connected to the realization of



Agency's mandate. All employees are engaged through provision of clear roles and responsibilities, frequent feedback, proper coordination between departments and participation to various activities undertaken in the Agency.

#### **Occupational Health and Safety**

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

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

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

#### **iv) Market place practices**

##### **a) Responsible competition practice.**

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

##### **b) Responsible Supply chain and supplier relations**

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



**c) Responsible marketing and advertisement**

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

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

**d) Product stewardship**

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

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

**v) Corporate Social Responsibility / Community Engagements**

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

In the year under review, the Agency engaged in a number of CSR activities in its area of jurisdiction. Such activities include; The Agency planted trees in various areas both as CSR and as adherence to presidential clarion call. Such areas include, Nandi Forest, Mt. Elgon Forest, Kakamega Forest and Maragoli Hills. At the end of Financial year, we planted 15,000

tree seedlings. As part of CSR, the Agency participated and celebrated Global Handwashing day where some goodies were donated to Shinamwenyuli Primary School in Kakamega County. We also participated in a number of regional events, that is, Kakamega Forest Marathon, Rediscover Nandi Road Race and Regional ASK show where we showcased to stakeholders present what we do as guided by our core mandate.



Lake Victoria North Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.

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**11. Report of the Directors**

The Directors submit their report together with the audited financial statements for the year ended 30<sup>th</sup> June 2023 which shows the state of affairs of the Agency.

**Principal activities**

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

**Results**

The results of the Agency for the year ended 30<sup>th</sup> June, 2023 are set out on page 1-5.

	Kshs
Surplus/ (Deficit) before depreciation and finance costs	(5,224,780)
Less: Depreciation	<u>(349,095,908)</u>
Surplus/ (Deficit) before finance costs	<u>(354,320,688)</u>

**Net deficit for the period**

The Agency registered a Deficit of **Kshs. 354,320,688** during the year.

**Directors**

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

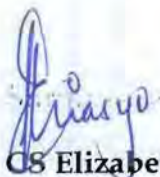
**Surplus Remission**

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

**Auditors**

The Auditor General is responsible for the statutory audit of the Agency in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



CS Elizabeth Ngala  
Corporation Secretary

Date: 29.2.2024

**Lake Victoria North Water Works Development Agency  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

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**12. Statement of Directors Responsibilities**

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

The Directors are responsible for the preparation and presentation of the Agency's financial statements, which give a true and fair view of the state of affairs of the Agency for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Board; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Agency; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Agency's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act 2012 and the State Corporations Act. The Directors are of the opinion that the Agency's financial statements give a true and fair view of the state of Agency's transactions during the financial year ended June 30, 2023, and of the Agency's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Agency, which have been relied upon in the preparation of the Agency's financial statements as well as the adequacy of the systems of internal financial control.


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

**Approval of the financial statements**

The Agency's financial statements were approved by the Board on 27<sup>th</sup> September 2023 and signed on its behalf by:

  
John Otee Imoite

Chairman of the Board

  
Wamalwa M. Joel

Chief Executive Officer



# REPUBLIC OF KENYA

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*Enhancing Accountability*

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON LAKE VICTORIA NORTH WATER WORKS DEVELOPMENT AGENCY FOR THE YEAR ENDED 30 JUNE, 2023**

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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 the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Lake Victoria North Water Works Development Agency set out on pages 1 to 41, which comprise of the statement of financial position as at 30 June, 2023 and the statement of financial performance,

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*Report of the Auditor-General on Lake Victoria North Water Works Development Agency for the year ended 30 June, 2023*



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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Lake Victoria North Water Works Development Agency as at 30 June, 2023, 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 Public Finance Management Act, 2012 and the Water Act, 2016.

### **Basis for Qualified Opinion**

#### **1. Material Uncertainty Relating to Going Concern**

The statement of financial performance reflects a deficit of Kshs.354,320,488 (2021/2022: deficit of Kshs.355,851,964). The accumulated deficit increased from Kshs.3,304,614,641 in 2021/2022 financial year to Kshs.3,657,952,565 during the year under review. In addition, current liabilities of Kshs.2,738,326,863 exceeded current assets of Kshs.774,254,905 by Kshs.1,964,071,958.

In the circumstances, the Agency is technically insolvent and its continued operation as a going concern depends on the assumption that it will continue to receive financial support from the government, bankers and creditors.

#### **2. Unsupported Prior Year Adjustments**

The statement of changes in net assets reflects prior year adjustments of Kshs.108,918,722, Kshs.40,296,963 and Kshs.982,564 in respect of grants Korea International Corporation (KOICA), grants Medium Income Counties (MIC) and accumulated surplus respectively. In addition, Note 27 to the financial statements reflects prior year adjustment amount of Kshs.1,967,340,308 in relation to African Development Bank (AfDB) loan advanced during the year. However, the prior year adjustments have not been supported by any documentation.

Further, the adjustments have not been effected in line with IPSAS 3, Paragraph 47 (a) which states that Subject to paragraph 48, an entity shall correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by Restating the comparative amounts for prior period(s) presented in which the error occurred.

In the circumstances, the accuracy and completeness of the statement of changes in net assets and the loans advanced during the year could not be confirmed.

#### **3. Lack of Ownership Documents**

The statement of financial position and Note 20 to the financial statements reflects property, plant and equipment net book value of Kshs.16,223,294,951. The balance includes Kshs.49,874,204 and Kshs.717,682 relating to land and buildings and motor



vehicles. However, title deeds and log books were not provided to confirm ownership of the assets.

In the circumstances, the ownership and fair valuation of the land and buildings of Kshs.49,874,204 and motor vehicles of Kshs.717,682 could not be confirmed.

#### **4. Unsupported African Development Bank Loan**

The statement of financial position and Note 27 to the financial statements reflects a balance of Kshs.12,832,116,573 in respect of borrowings. Included in the balance is a loan of Kshs.725,658,509 obtained during the year from AfDB. However, supporting documents such as Board resolution approving the loan, Treasury concurrence, bank statements and loan amortization schedule were not provided for audit review.

In the circumstances, the accuracy and completeness of the loan balance of Kshs.725,658,509 from AfDB could not be confirmed.

#### **5. Unsupported Long Term Loan Repayments Due**

The statement of financial position and Note 26 to the financial statements reflects long term loans due balance of Kshs.2,479,299,559. The loans relates to KFW loan-Nzoia phase I of Kshs.1,005,241,437, KFW loan-Nzoia phase II of Kshs.1,021,151,513 and Water Supply and Sanitation Improvement Project (WaSSIP) of Kshs.452,906,610. However, documents such as loan disbursement schedules, Board resolution, Treasury concurrence, bank statements and loans amortization schedule were not provided for audit review.

In the circumstances, the accuracy and completeness of the loan repayments due balance of Kshs.2,479,299,559 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 North Water Works Development Agency Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **Emphasis of Matter**

##### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects receipts budget and actual on comparable basis amounts of Kshs.916,519,123 and Kshs.327,154,502 respectively, resulting to under-funding of Kshs.589,364,621 or 67% of the budget. Similarly, the statement reflects actual expenditure of Kshs.681,474,989 against approved budget of Kshs.916,519,123 resulting to under-performance of Kshs.235,044,134 or 26% of the budget.

The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.



My opinion is not modified in respect of this matter.

### **Key Audit Matters**

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

### **Other Matter**

#### **Unresolved Prior Year Matters**

In the audit of the previous year, several issues were reported under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved the issues or given reasons on the failure to resolve them in adherence with the Public Sector Accounting Standards Board templates.

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Long Outstanding Trade and Other Payables**

The statement of financial position and Note 21 to the financial statements reflects trade and other payables balance of Kshs.225,794,105. Out of this amount, an amount of Kshs.221,347,717 was indicated to be above 1 to 2 years old. However, Management did not provide explanations for non-settlement of the debts. This was contrary to Regulation 42(1)(a) of the Public Finance Management (National Government) Regulations, 2015 which states debt service payments shall be a first charge on the Consolidated Fund and the Accounting Officer shall ensure this is done to the extent possible that the government does not default on debt obligations.

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

#### **2. Unsurrendered Imprests**

The statement of financial position and Note 18 to the financial statements reflects receivables from non-exchange balance of Kshs.274,242,924. Included in the balance is Kshs.680,011 in respect of outstanding imprests. No explanation was provided on why the imprests were not accounted for or recovered from the salaries of the respective employees in accordance with Regulation 93(5) of the Public Finance Management



(National Government) Regulations, 2015 which requires a holder of a temporary imprest to surrender of account for it within seven (7) days after returning to duty station.

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

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 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 Management and the 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 overall governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are



in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Agency's financial reporting process, reviewing the effectiveness of how the 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 control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal 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 Agency's policies and procedures may deteriorate.




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

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

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

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

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

**Nairobi**

**12 March, 2024**





**Lake Victoria North Water Works Development Agency  
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for the year ended June 30, 2023**

**14. Statement of Financial Performance for the year ended 30 June 2023**

		2022 - 2023 Kshs	2021 - 2022 Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from other Governments-gifts and services-in-kind	6	287,250,000	275,310,340
		<b>287,250,000</b>	<b>275,310,340</b>
<b>Revenue from exchange transactions</b>			
Other Income	7	5,949,109	1,730,944
Loan Repayment Income	8	33,955,393	21,036,371
		<b>39,904,502</b>	<b>22,767,315</b>
<b>Total revenue</b>		<b>327,154,502</b>	<b>298,077,655</b>
<b>Expenses</b>			
Employee costs	9	134,902,843	128,646,319
Board Expenses	10	20,441,990	22,281,846
Depreciation and amortization expense	11	349,095,908	285,452,410
Repairs and maintenance	12	5,377,526	7,262,754
Use of Goods and Services	13	45,796,219	54,857,377
Contracted Services	14	3,703,064	3,508,762
Grants & Subsidies(Community Development)	15	122,157,441	151,920,149
<b>Total expenses</b>		<b>681,474,989</b>	<b>653,929,619</b>
<b>Other gains/(losses)</b>			
<b>Surplus/( Deficit) before tax</b>		<b>(354,320,488)</b>	<b>(355,851,964)</b>
Taxation		0	0
<b>Surplus/(Deficit) for the year</b>		<b><u>(354,320,488)</u></b>	<b><u>(355,851,964)</u></b>

The notes set out on pages 6 to 37 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:



**Mr. Joel M. Wamalwa**  
Accounting Officer

Date: 29 Feb 2024



**CPA Anthony Kisaka**  
Head of Finance  
ICPAK M/No: 7014

Date: 29 Feb 2024



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

Date: 29.02.2024






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15. Statement of Financial Position as at 30 June 2023

		2022 - 2023 Kshs	2021 - 2022 Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	16	12,309,922	29,567,555
Receivables from exchange transactions	17	485,587,402	499,206,680
Receivables from non-exchange transactions	18	274,242,924	40,617,601
Inventories	19	<u>2,114,658</u>	<u>2,378,468</u>
<b>Total Current Assets</b>		<b>774,254,905</b>	<b>571,770,305</b>
<b>Non-current assets</b>			
Property, plant and equipment	20	16,223,294,951	13,475,717,235
<b>Total Non-Current Assets</b>		<b><u>16,223,294,951</u></b>	<b><u>13,475,717,234</u></b>
<b>Total assets</b>		<b><u>16,997,549,856</u></b>	<b><u>14,047,487,539</u></b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables from exchange transactions	21	225,794,105	153,032,837
Provisions	22	5,512,802	5,512,802
Deferred income	23	0	0
Employee benefit obligation	24	13,227,370	9,468,243
Taxation	25	14,493,027	13,228,095
Long term loans due	26	<u>2,479,299,559</u>	<u>1,465,088,349</u>
<b>Total Current Liabilities</b>		<b>2,738,326,863</b>	<b>1,646,330,327</b>
<b>Non-current liabilities</b>			
Borrowings	27	<u>12,832,116,573</u>	<u>11,153,328,966</u>
<b>Total Non-Current Liabilities</b>		<b><u>12,832,116,573</u></b>	<b><u>11,153,328,966</u></b>
<b>Total Liabilities</b>		<b>15,570,443,436</b>	<b>12,799,659,292</b>
<b>Net Assets</b>			
Capital Fund		5,085,058,985	4,552,442,888
Accumulated surplus/(deficit)		<u>(3,657,952,565)</u>	<u>(3,304,614,641)</u>
<b>Total Net Assets</b>		<b><u>1,427,106,420</u></b>	<b><u>1,247,828,247</u></b>
<b>Total Net Assets and Liabilities</b>		<b><u>16,997,549,856</u></b>	<b><u>14,047,487,539</u></b>

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



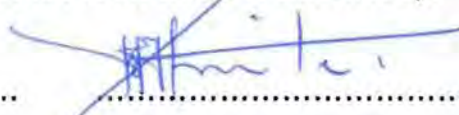
Mr. Joel M. Wamalwa  
Accounting Officer

Date... 29<sup>th</sup> Feb 2024



CPA Anthony Kisaka  
Head of Finance

ICPAK M/No: 7014  
Date... 29.02.2024



Mr. John Otee Imoite  
Chairman of the Board

Date... 29.02.2024

**Lake Victoria North Water Works Development Agency  
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**16. Statement of Changes in Net Assets for the year ended 30 June 2023**

Description	CAPITAL FUND							Accumulated surplus/(Deficit)	Total
	Grants	Grants KIDDP	Grants KFW	Grants Worldbank	Grants - KOICA	Grants- MIC	Grants GoK		
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at July 1, 2021	25,924,938	361,956,401	221,783,948	1,267,995,799	0	0	2,599,781,802	(2,958,345,342)	1,519,097,546
Accumulated depreciation for transferred assets									
Transfers to/ from during the year	-	-	-	-	-	-	75,000,000	-	75,000,000
Surplus/ (deficit) for the year	-	-	-	-	-	-	-	(355,851,964)	(355,851,964)
Transfers to/ from accumulated surplus	-	-	-	-	-	-	-	9,582,665	9,582,665
<b>As at June 30, 2022</b>	<b>25,924,938</b>	<b>361,956,401</b>	<b>221,783,948</b>	<b>1,267,995,799</b>	<b>0</b>	<b>0</b>	<b>2,674,781,802</b>	<b>(3,304,614,641)</b>	<b>1,247,828,247</b>
As at July 1, 2022	25,924,938	361,956,401	221,783,948	1,267,995,799	0	0	2,674,781,802	(3,304,614,641)	1,247,828,247
Prior period adjustment	-	-	-	-	108,918,722	40,296,963	-	982,564	150,198,248
Capital/development grants received during the year	-	-	-	-	144,139,557	19,260,856	220,000,000	-	383,400,413
Surplus/ (deficit) for the year	-	-	-	-	-	0	-	(354,320,488)	(354,320,488)
Transfers to/ from accumulated surplus	-	-	-	-	-	0	-	-	-
<b>As at June 30, 2023</b>	<b>25,924,938</b>	<b>361,956,401</b>	<b>221,783,948</b>	<b>1,267,995,799</b>	<b>253,058,278</b>	<b>59,557,819</b>	<b>2,894,781,802</b>	<b>(3,657,952,565)</b>	<b>1,427,106,420</b>

**Note**

1. Amounts indicated as capital funds are capital grants previously indicated as reserves
2. Transfers during the year include grants from KOICA and GoK which relate to capital grants directly paid to contractor and development receipts respectively

**Prior Year Adjustments**

3. Grants KOICA- The Amounts were direct payments made in the previous financial year to the Contractor implementing Chepyuk - Kibabii Water Project - Phase II
4. Grants MIC- the Amounts were direct payments made to consultants in the previous financial year but were omitted in the financial statements.
5. Accumulated Surplus- These costs previously affected the financial statements but have since been reversed



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**17. Statement of Cash Flows for the year ended 30 June 2023**

	Notes	2022 - 2023 Kshs	2021 - 2022 Kshs
<b>Cash flows from operating activities</b>			
<b>Income</b>			
Government grants	6	287,250,000	275,310,340
Other Income	7	5,949,109	1,730,944
Loan Repayment Income	8	33,955,393	21,036,371
<b>Total Income</b>		<b>327,154,502</b>	<b>298,077,655</b>
<b>Expenses</b>			
Employee costs	9	134,902,843	128,646,319
Board Expenses	10	20,441,990	22,281,846
Repairs and maintenance	12	5,377,526	7,262,754
Use of Goods and Services	13	45,796,219	54,857,377
Contracted Services	14	3,703,064	3,508,762
Grants & Subsidies( Community Development)	15	122,157,441	151,920,149
<b>Total Expenses</b>		<b>332,379,081</b>	<b>368,477,208</b>
<b>Cash flows from operating activities</b>		<b>(5,224,580)</b>	<b>(70,399,553)</b>
<b>Working capital changes</b>			
(Increase)/Decrease in debtors		(220,006,044)	208,396,893
(Increase)/Decrease in stores		263,810	(168,737)
Increase/(Decrease) in Creditors		1,091,996,536	257,216,047
Prior year's adjustment		150,198,248	9,582,665
<b>Net cash flows from operating activities</b>		<b>1,017,227,970</b>	<b>404,627,315</b>
<b>Cash flows from Investing Activities</b>			
Purchase of property, plant & Equipment	20	(3,096,673,625)	(43,846,554)
<b>Net cash flows used in Investing Activities</b>		<b>(3,096,673,625)</b>	<b>(43,846,554)</b>
<b>Cash flows from Financing Activities</b>			
Proceeds from borrowings	27	2,692,998,817	-
Repayment of borrowings/ transfer to current liabilities	27	(1,014,211,210)	(418,332,100)
Increase in funding		383,400,413	75,000,000
<b>Net cash flows from/ (used in) financing activities</b>		<b>2,062,188,020</b>	<b>(343,332,100)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(17,257,634)</b>	<b>17,448,661</b>
Cash and cash equivalents at 1 July	16	29,567,555	12,118,895
Cash and cash equivalents at 30 June	16	12,309,922	29,567,555

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**18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023**

	Original budget	Adjustment	Final budget	Actual on	Performance	% of
	2022 - 2023	2022 - 2023	2022 - 2023	comparable basis	difference	utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
Government Grants	143,000,000		143,000,000	143,000,000	-	100%
GOK Rural development grants	415,071,000		415,071,000	144,250,000	(270,821,000)	35%
Other Revenues	26,745,070		26,745,070	5,949,109	(20,795,961)	22%
Levy Income from WSPs	21,254,930		21,254,930	0	(21,254,930)	0%
Loan Repayment Income	310,448,123		310,448,123	33,955,393	(276,492,730)	11%
<b>Total income</b>	<b>916,519,123</b>	<b>-</b>	<b>916,519,123</b>	<b>327,154,502</b>	<b>(589,364,621)</b>	<b>36%</b>
<b>Expenses</b>						
Employee costs	139,680,307	-	139,680,307	134,902,843	4,777,464	97%
Boards Expenses	21,487,600	-	21,487,600	20,441,990	1,045,611	95%
Repairs and maintenance	10,652,568		10,652,568	5,377,526	5,275,042	50%
Use of Goods and Services	71,412,024	-	71,412,024	45,796,219	25,615,805	64%
Contracted Services	3,667,972		3,667,972	3,703,064	(35,092)	101%
Depreciation and amortization expense	318,618,652		318,618,652	349,095,908	(30,477,256)	110%
Grants & Subsidies( Community Development)	351,000,000		351,000,000	122,157,441	228,842,559	35%
<b>Total expenditure</b>	<b>916,519,123</b>	<b>-</b>	<b>916,519,123</b>	<b>681,474,989</b>	<b>235,044,134</b>	<b>74%</b>
<b>Surplus/ (deficit) for the period</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>(354,320,488)</b>	<b>(824,408,755)</b>	
<b>Capital Expenditure</b>	<b>775,071,000</b>	<b>744,919,365</b>	<b>1,519,990,365</b>	<b>971,192,688</b>	<b>548,797,677</b>	<b>64%</b>
<b>Notes</b>						
Income: The WSPs did not pay loans as planned						
The Government did not finance projects as planned						
Included in capital expenditure is Kshs 744,919,365 which was budgeted by Central Rift Valley Water Works Development Agency who are the lead in the implementation of Kenya Towns Sustainable Water Supply and Sanitation Programme						



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**19. Notes to the Financial Statements**

**1. General information**

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

**2. Statement of compliance and basis of preparation**

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

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 Notes to the Financial Statements (Continued)  
 3. Adoption of new and revised standards

1. Adoption of New and Revised Standards

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><i>(The standard did not have any impact to the Agency)</i></p>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social</p>



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Standard	Effective date and impact:
	<p>benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p><i>(The standard did not have any impact to the Agency)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(The standard did not have any impact to the Agency)</i></p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008).</li> <li>• <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement.</b> Standard no longer included in the 2023</li> </ul>

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Standard	Effective date and impact:
	IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1 <sup>st</sup> January 2023.  <i>(The standard did not have any impact to the Agency)</i>

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 43	<b><i>Applicable 1<sup>st</sup> January 2025</i></b> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.  <i>(The standard did not have any impact to the Agency)</i>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<b><i>Applicable 1<sup>st</sup> January 2025</i></b> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.  <i>(The standard did not have any impact to the Agency)</i>

iii. ***Early adoption of standards***

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



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Notes to the Financial Statements (Continued)

**4. Summary of significant accounting policies**

**a) Revenue recognition**

**a) Revenue from non-exchange transactions - IPSAS 23**

**Fees, taxes and fines**

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

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Agency and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

**b) Revenue from exchange transactions**

***Rendering of services***

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

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

***Sale of goods***

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Agency.

***Interest income***

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



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Notes to the Financial Statements (Continued)

*Rental income*

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

**b) Budget information**

The original budget for FY 2022-2023 was approved by the Board on 10<sup>th</sup> December 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

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

**c) Taxes**

**Current income tax**

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



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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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



**Summary of Significant Accounting Policies (Continued)**

***Sales tax***

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

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ii) When receivables and payables are stated with the amount of sales tax included  
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

LVNWWDA is a government parastatal and as such is not expected to pay taxes.

**d) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. *Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an xx-year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit. (LVNWWDA does not have investment property).* Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

**e) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Agency recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs



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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.

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Furniture, office equipment & fittings	12.5%
Computers & Accessories	33.3%
Motor vehicle	25 %
Plant, machinery & equipment	20%
Water Supply infrastructure	2.5%
Buildings	10%

**f) Leases - IPSAS 13**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Agency. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Agency also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Agency will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

**g) Intangible assets - IPSAS 31**

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.

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Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

**h) Research and development costs**

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

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

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

**i) Financial instruments**

*Financial assets*

*Initial recognition and measurement*

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Agency determines the classification of its financial assets at initial recognition.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less



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impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Financial assets are valued at the lower of cost or net realizable value. Management estimates the amount of accounts receivable that will not be collectible and provides an allowance for doubtful accounts. Estimates are based upon such factors as an aging of outstanding balances, collection experience, legal advice and known factors such as customers in bankruptcy.

*Held-to-maturity*

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

*Impairment of financial assets*

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

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

*i) Financial liabilities*

*Initial recognition and measurement*

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Agency determines the classification of its financial liabilities at initial recognition.

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All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

*Loans and borrowing*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

**j) Inventories**

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

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

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

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

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

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

**k) 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



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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 Board 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.

**1) Social Benefits**

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

LVNWWDA does not have social benefits.



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**m) 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.

**n) 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 Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**o) Nature and purpose of reserves**

The Agency does not create and maintain reserves in terms of specific requirements.

**p) Changes in accounting policies and estimates - IPSAS 3**

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.

**q) Employee benefits**

**Retirement benefit plans**

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

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.



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**r) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency

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

are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**s) 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.

**t) Related parties - IPSAS 20**

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

**u) Service concession arrangements - IPSAS 32**

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.

**v) Cash and cash equivalents**

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

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advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**w) Comparative figures**

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

**x) Subsequent events**

As at 30<sup>th</sup> June 2023, Kshs 254,416,667 (Two hundred and fifty four million four hundred and sixteen thousand six hundred and sixty seven shillings) was in transit from the Parent Ministry. These amounts were for recurrent expenses and development projects.



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**5. Significant judgments and sources of estimation uncertainty**

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

State all judgements, estimates and assumptions made: e.g.

*Estimates and assumptions*

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The 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. 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.

**Grants and deferred income**

**Circumstances under which Grants are recognized:**

- i) When the Agency complies with the conditions attaching to them
- ii) When the grants have been received or are in transit at year end
- iii) When the Grants are recognized in the statement of financial performance in the same periods that the related expenses are recognized.

Grants exclude assistance that cannot reasonably be valued, and transactions between the government and the Agency that are in the normal course of business.

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6. Transfers from other Governments entities

Description	2022 - 2023 Kshs	2021 - 2022 Kshs
<b>Unconditional Grants</b>		
Operational Grant	143,000,000	128,000,000
Unconditional development grants	144,250,000	147,310,340
<b>Total Unconditional Grants</b>	<b>287,250,000</b>	<b>275,310,340</b>
<b>Conditional Grants amortised/ transferred to revenue</b>		
Infrastructure Grant	144,139,557	0
<b>Total Government Grants And Subsidies</b>	<b>144,139,557</b>	<b>0</b>

The operational grant was utilized for recurrent activities

Unconditional development grants was for carrying out development activities that cannot be capitalized.

The infrastructure grant is a conditional grant from KOICA for development of water supply systems in Chepyuk- Kibabii Ward

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

Name of The Entity Sending The Grant	Amount recognized to Statement of Financial performance. * KShs	Amount recognised in capital fund.		Total transfers	
		KShs	KShs	2022-2023	2021-2022
Ministry of Water & Sanitation	287,250,000	220,000,000	507,250,000	275,310,340	
KOICA	0	144,139,557	144,139,557	0	0
<b>Total</b>	<b>287,250,000</b>	<b>364,139,557</b>	<b>651,389,557</b>	<b>275,310,340</b>	<b>0</b>

The details of the reconciliation have been included under appendix iv

7. Other Income

Description	2022 - 2023 Kshs	2021 - 2022 Kshs
Sale of tenders, Water bowsers services & Other income	5,949,109	1,730,144
<b>Total</b>	<b>5,949,109</b>	<b>1,730,144</b>

Receipts went up due to disposal of assets.



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**8. Loan Repayment Income**

Description	2022 - 2023 Kshs	2021 - 2022 Kshs
Loan Repayment Income	33,955,393	21,036,371
<b>Total Loan Repayment Income</b>	<b>33,955,393</b>	<b>21,036,371</b>

**9. Employee costs**

Description	2022 - 2023 Kshs	2021 - 2022 Kshs
Salaries and wages	71,512,713	70,522,743
Employer Contributions to Health Insurance Schemes	15,547,299	13,584,736
Employer Contributions to pension Schemes	8,547,185	8,101,796
Housing benefits and allowances	32,958,583	30,952,222
Gratuity	4,016,201	4,488,469
Other Employee Related Costs	2,320,861	996,354
<b>Total Employee costs</b>	<b>134,902,843</b>	<b>128,646,319</b>

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

**10. Board Expenses**

Description	2022 - 2023 Kshs	2021 - 2022 Kshs
Board committee & conference	19,432,957	21,321,846
Honoraria for chairman	1,009,032	960,000
<b>Total Board Expenses</b>	<b>20,441,989</b>	<b>22,281,846</b>

**11. Depreciation and amortization expense**

Description	2022 - 2023 Kshs	2021 - 2022 Kshs
Property, Plant and Equipment	349,095,908	285,452,410
<b>Total Depreciation and Amortization</b>	<b>349,095,908</b>	<b>285,452,410</b>

**12. Repairs and maintenance**

Description	2022 - 2023 Kshs	2021 - 2022 Kshs
Laboratory/quality control expenses	4,386	118,041
Maintenance of equipment's	74,145	5,000
Minor alteration to building	423,702	113,130
Maintenance of computers	1,162,521	714,982
Monitoring and evaluation	2,503,534	4,690,561
Support to water service providers	109,332	212,159

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Transport operating costs-MV Maintenance	1,099,906	1,408,881
<b>Total Repairs and Maintenance</b>	<b>5,377,526</b>	<b>7,262,700</b>

Reduction of total expenditure due to monitoring and evaluation costs to projects

### 13. Use of Goods and Services

Description	2022 - 2023 Kshs	2021 - 2022 Ksh
Electricity&Water	1,085,128	1,447,132
Trade shows & exhibitions	1,057,896	941,832
Training expenses	9,135,343	12,627,981
Workshops and meeting expenses	2,426,189	5,641,918
Security Expenses	2,744,035	1,568,748
Corporate social responsinsibilty,publicity	2,941,534	5,863,631
Board Capacity Development	521,034	130,930
ISO Preparation and acquisition expenses	364,768	1,851,691
Work environment survey / safety	1,297,195	536,063
Adjustment on provisions of debtors	4,485,399	4,742,088
Travel, accommodations, subsistence & Other allowances	9,294,943	11,115,111
Bank Charges	246,854	235,853
NRVWDA Expenses	0	340,801
Fuels and oils for motor vehicle	1,186,911	2,447,893
Motor vehicle insurance	297,946	596,320
Advertisement and publicity	674,800	154,101
Computers stationery and accessories	1,030,190	5,150
Courier and postal services	381,590	345,605
Legal and professional services	1,641,731	1,473,111
General office supplies	2,213,723	778,751
Publishing & printing services	458,300	343,301
Professional subscriptions	339,615	585,781
Telephone, Fax and mobile phones	13,000	66,725
Tender/Seek quotations	1,164,891	937,631
Hospitality supplies and services and national celebration	438,205	79,200
Purchase of Uniforms and Clothing	355,000	
<b>Total Use of Goods and Services</b>	<b>45,796,219</b>	<b>54,857,377</b>

Reduction in costs is as a result of decrease in number of activities on ISO certification, charging costs of other travel to relevant cost centres

Some of the trainings were carried out in-house



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14. Contracted Services

Description	2022 - 2023 Kshs	2021 - 2022 Kshs
Internet connections/ICT Expenses	2,558,728	2,342,443
Sanitary and cleaning materials	1,144,336	1,166,319
<b>Total Contracted Services</b>	<b>3,703,064</b>	<b>3,508,762</b>

15. Grants & Subsidies

Description	2022 - 2023 Kshs	2021 - 2022 Kshs
Community Development-UNICEF Funded	0	5,400
Community Development	122,157,441	151,914,749
<b>Total Grants &amp; Subsidies</b>	<b>122,157,441</b>	<b>151,920,149</b>

16. Cash and cash equivalents

Description		2022 - 2023 Kshs	2021 - 2022 Kshs
KCB Revenue account	1103686909	6,909,466	17,870,685
KCB Recurrent account	1103686550	2,180,998	509,186
KCB Development account	1103686313	5,217	5,512
KCB KISIP Account	1130930009	4,983	16,473
Cooperative bank Development	0113609835501	551	189,318
Cooperative bank Gratuity	01100098355500	3,208,706	10,976,381
<b>Total cash and cash equivalents</b>		<b>12,309,922</b>	<b>29,567,555</b>

The reduction in cash balances is due to enhanced absorption of funds

17. Receivables from exchange transactions

a) Receivables from exchange transactions(Current )

Description	2022 - 2023 Kshs	2021 - 2022 Kshs
WSP Debtors	558,146,438	567,280,318
Less: Provision for bad and doubtful debts	72,559,037	68,073,637
<b>Total current receivables</b>	<b>485,587,402</b>	<b>499,206,681</b>

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b) Ageing analysis for Receivables from exchange transactions

Description	2022 - 2023		2021 - 2022	
	Kshs	% of the total	Kshs	% of the total
	0	0	0	0
Between 1- 2 years	0	0	0	0
Between 2-3 years	0	0	0	0
Over 3 years	558,146,438	100	567,280,318	100
<b>Total</b>	<b>558,146,438</b>	<b>100</b>	<b>567,280,318</b>	<b>100</b>

18. Receivables from non-exchange contracts

Current receivables	2022 - 2023	2021 - 2022
Description	Kshs	Kshs
Outstanding Imprest	680,011	2,217,701
Salary Advances	1,521,129	1,466,135
Contractor Debtors	17,625,117	24,433,765
Grants from Government	254,416,667	12,500,000
<b>Total current receivables</b>	<b>274,242,924</b>	<b>40,617,601</b>

b) Ageing Analysis- Receivables from non- exchange transactions

Description	2022 - 2023		2021 - 2022	
	Kshs	% of the total	Kshs	% of the total
Between 1- 2 years	274,242,924	100	40,617,601	100
Between 2-3 years	0	0	0	0
Over 3 years	0	0	0	0
<b>Total</b>	<b>274,242,924</b>	<b>100</b>	<b>40,617,601</b>	<b>100</b>

19. Inventories

Description	2022 - 2023	2021 - 2022
	Kshs	Kshs
Consumable stores	2,114,658	2,378,468
<b>Total inventories at the lower of cost and net realizable value</b>	<b>2,114,658</b>	<b>2,378,468</b>



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20. Property, Plant and Equipments

Cost or Valuation	Motor Vehicles							Total
	Furniture office equipment fittings	Computers		Plant, Machinery & Equipment	Water Supply Infrastructure	Land and Buildings	Capital Works in Progress	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at July 1,2021	18,637,568	59,273,687	96,242,277	161,135,116	11,254,576,495	255,699,114	4,843,936,254	16,689,500,511
Additions	-	1,873,600	1,435,364	-	-	-	40,537,589	43,846,553
Disposals	-	(183,350)	-	-	-	-	-	(183,350)
Transfers/ Adjustments								-
<b>As at Jun 30, 2022</b>	<b>18,637,568</b>	<b>60,963,937</b>	<b>97,677,641</b>	<b>161,135,116</b>	<b>11,254,576,495</b>	<b>255,699,114</b>	<b>4,884,473,843</b>	<b>16,733,163,714</b>
Additions	-	3,282,700	-	-	4,142,244	1,500,000	3,087,748,681	3,096,673,625
Disposals		-	(8,405,688)					(8,405,688)
Transfers/ Adjustments	3,778,930	9,392,464	53,020,549	-			(66,191,943)	-
<b>As at Jun 30, 2023</b>	<b>22,416,498</b>	<b>73,639,101</b>	<b>142,292,502</b>	<b>161,135,116</b>	<b>11,258,718,739</b>	<b>257,199,114</b>	<b>7,906,030,581</b>	<b>19,821,431,651</b>
<b>Depreciation</b>								
As at July 1,2021	18,435,696	56,122,953	96,242,277	161,135,116	2,432,916,468	207,324,910	-	2,972,177,420
Depreciation	59,634	3,669,523	358,841	-	281,364,412	-	-	285,452,410
Disposals		(183,350)						(183,350)
Transfers/ Adjustments								-
<b>As at June 30, 2022</b>	<b>18,495,330</b>	<b>59,609,126</b>	<b>96,601,118</b>	<b>161,135,116</b>	<b>2,714,280,880</b>	<b>207,324,910</b>	<b>-</b>	<b>3,257,446,480</b>
Depreciation	59,634	1,121,078	358,841	-	281,364,412	-	-	282,903,965
Disposals			(8,405,688)					(8,405,688)
Transfers/ Adjustments	3,778,930	9,392,464	53,020,549	-	-	-	-	66,191,943
<b>As at June 30, 2023</b>	<b>22,333,894</b>	<b>70,122,668</b>	<b>141,574,820</b>	<b>161,135,116</b>	<b>2,995,645,292</b>	<b>207,324,910</b>	<b>-</b>	<b>3,598,136,700</b>
<b>Net book Values</b>								
As at 30th June, 2022	142,238	1,354,811	1,076,523	-	8,540,295,615	48,374,204	4,884,473,844	13,475,717,235
As at 30th June 2023	82,604	3,516,433	717,682	-	8,263,073,447	49,874,204	7,906,030,581	16,223,294,951

Capital Works in progress include Kshs 2,752,556,636 for a clustered project being implemented by Central Rift Valley Water Works Development Agency under the Kenya Towns Sustainable Water Supply and Sanitation Programme

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21. Trade and Other payables

	2022 - 2023	2021 - 2022
Description	Kshs	Kshs
General Suppliers	221,347,717	150,348,091
Other payables	4,446,388	2,684,746
<b>Total trade and other payables</b>	<b>225,794,105</b>	<b>153,032,837</b>

Ageing analysis: (Trade and other payables)	2022-2023	2021-2022		
		% of the Total	FY	% of the Total
Under one year	4,446,388	2	2,684,746	2
1-2 years	221,347,717	98	150,348,091	98
2-3 years	0	0	0	0
Over 3 years	0	0	0	0
<b>Total</b>	<b>225,794,105</b>	<b>100</b>	<b>153,032,837</b>	<b>100</b>

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

22. Current provisions

Description	Leave provision Kshs	Bonus provision Kshs	Gratuity Provision Kshs	Other provision	Total
Balance b/f	0	0	0	5,512,802	5,512,802
Additional provisions	0	0	0	0	0
Provision utilised	0	0	0	0	0
Change due to discount and time value for money	0	0	0	0	0
Transfers from non-current provisions	0	0	0	0	0
<b>Total provisions year end</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>5,512,802</b>	<b>5,512,802</b>

23. Deferred income

	2022 - 2023 Kshs	2021 - 2022 Kshs
Balance at the beginning of the year(National government)	-	77,073,340
Addition during the year	-	70,237,000
Deferred Income utilized	-	(147,310,340)
<b>Total deferred income</b>	<b>-</b>	<b>0</b>

24. Pensions and other post-employment benefit plans

	2022 - 2023 Kshs	2021 - 2022 Kshs
Balance at the beginning of the year	9,468,244	10,313,705
Current benefit obligation	3,759,126	3,743,301
Gratuity released in the year	-	(4,588,763)
<b>Total employee benefit liability</b>	<b>13,227,370</b>	<b>9,468,243</b>

25. Taxation

	2022 - 2023 Kshs	2021 - 2022 Kshs
VAT	7,394,599	7,453,586
WHT	7,098,428	5,774,509
<b>Total</b>	<b>14,493,027</b>	<b>13,228,095</b>



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26. Long Term Loan Repayments Due

Description	2022 - 2023 Kshs	2021 - 2022 Kshs
KFW Loan- Nzoia Phase I	1,005,241,437	485,787,515
KFW Loan- Nzoia Phase II	1,021,151,513	673,802,290
WaSSIP	452,906,610	305,498,544
<b>Total Long Term Loan Repayments Due</b>	<b><u>2,479,299,559</u></b>	<b><u>1,465,088,349</u></b>

27. Borrowings

KFW LOAN	2022 - 2023 Kshs	2021 - 2022 Kshs
KFW Loan- Nzoia Phase I & II	4,797,889,697	5,087,281,002
KFW Loan- Nzoia Phase I & II	(866,803,144)	(289,391,305)
<b>Total KFW Loan</b>	<b><u>3,931,086,553</u></b>	<b><u>4,797,889,697</u></b>

IDA LOAN

Balance at the beginning of the year	4,634,384,674	4,763,325,469
During the year	-	-
Loan Repayments	-	(21,145,650)
Less: total current portion of bank loans	(147,408,066)	(107,795,145)
<b>Total IDA Loan</b>	<b><u>4,486,976,608</u></b>	<b><u>4,634,384,674</u></b>

Belgium Loan

Balance at the beginning of the year	1,721,054,595	1,721,054,595
During the year	-	-
Less: total current portion of bank loans	-	-
<b>Total Belgium Loan</b>	<b><u>1,721,054,595</u></b>	<b><u>1,721,054,595</u></b>

AfDB Loan

Balance at the beginning of the year	-	-
Prior year Adjustment	1,967,340,308	-
During the year	725,658,509	-
Less: total current portion of bank loans	-	-
<b>Total AfDB Loan</b>	<b><u>2,692,998,817</u></b>	<b><u>-</u></b>

**Total Non-current Borrowings**

<b><u>12,832,116,573</u></b>	<b><u>11,153,328,966</u></b>
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**28. RELATED PARTY DISCLOSURE**

Companies and other parties related to the LVNWWDA 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.

The following have significant influence over the agency's operating and financial decisions

- i) County Governments within the agency's area of Jurisdiction
- ii) Water Sector Trust Fund
- iii) WASREB
- iv) WRA
- v) Water Service Providers
- vi) Development partners
- vii) Key management
- viii) Board of directors
- ix) PIC
- x) SCAC
- xi) Ministry of Water & Sanitation
- xii) Inspectorate of State Corporations

	2022-2023	2021-2022
	KES	KES
<b>a) Related party transactions</b>		
Grants received from related parties' GOK	507,250,000	236,237,000
Grants received from related parties' KOICA	144,139,557	0
Loans received from related parties' AfDB	744,919,365	0
	<b>1,396,308,922</b>	<b>236,237,000</b>
<b>b) Key management remuneration</b>		
Directors	20,441,989	22,281,846
Key management compensation	20,327,010	19,033,320
	<b>40,768,999</b>	<b>41,315,166</b>
<b>c) Due from related parties</b>		
Due from Water Services Companies	485,587,402	499,206,681
	<b>485,587,402</b>	<b>499,206,681</b>
<b>d) Due to related parties</b>		
Due to GOK		
Due to county Busia	1,552,802	1,552,802
	<b>1,552,802</b>	<b>1,552,802</b>



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**29. Financial Risk Management**

The Agency's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Agency's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Agency does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company's financial risk management objectives and policies are detailed below:

**(i) Credit risk**

The company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Agency's management based on prior experience and their assessment of the current economic environment.

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

	<b>Fully performing</b>	<b>Past due</b>	<b>Impaired</b>
<b>As at 30 June 2023</b>	<b>Ksh</b>	<b>Ksh</b>	<b>Ksh</b>
Trade receivables	274,242,924	485,587,402	-
Bank balances	12,309,922		-
<b>As at 30 June 2022</b>	<b>Ksh</b>	<b>Ksh</b>	<b>Ksh</b>
Trade receivables	40,617,601	499,206,681	-
Bank balances	29,567,555		-

The customers under the fully performing category are paying their debts as they continue operating. The credit risk associated with past due receivables is minimal and the allowance for uncollectible amounts that the Agency has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The bank balance consists of funds held in savings and current accounts.

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The Agency has significant concentration of credit risk on amounts due from Water Service providers. The board of directors sets the Agency's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**(ii) Liquidity risk management**

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

The table below represents cash flows payable by the Agency under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 90days equal their carrying balances, as the impact of discounting is not significant. The liability will however be disposed of when funding is received from WSPs, GOK or the defects liability period for projects is complete.

	Less than 30 days	Between 30-90 days	Over 90days	Total
Trade Payables As At 30 June 2023	8,334,982	2,485,988	210,526,746	221,347,717
Trade Payables As At 30 June 2022	5,723,432	4,286,906	115,358,076	150,348,091

**(iii) Market Risk**

The Agency has put in place an internal audit function to assist it in assessing the risk faced by the LVNWWDA on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate and foreign exchange rates which will affect the Agency's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Agency's Finance and Strategy department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the Agency's exposure to market risks or the manner in which it manages and measures the risk.



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**(a) Foreign Currency Risk**

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

As at the end of the reporting period the agency did not have any assets or liabilities denominated in foreign currency.

**(b) Interest Rate Risk**

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

**Management of interest rate risk**

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

**(iv) Capital management**

Capital managed by the Agency is the equity attributable to the equity holders (GOK). The primary objective of the Agency's capital management is to ensure that it maintains healthy capital ratio in order to support its business.

The Water business is currently in the growth phase driven by a rise in demand and Government policy. The funding of Water capacity is obtained from exchequer funding, donor funding from international institutions and cash generated from water asset lease fees. The adequacy of water tariffs allowed by the regulator and the level of Government support are key factors in the sustainability of the Agency.

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30. Contingent Liabilities

	2023	2022
	Ksh	Ksh
Legal Contingent Liabilities	<u>23,000,000</u>	<u>17,900,000</u>

The likely outcome of these suits cannot be determined as at the date of signing these financial statements.

Based on the information currently available, the Directors believe that the ultimate resolution of these legal proceedings would most likely not have a material effect on the results of the Agency's operations, financial position or liquidity.

The following cases were outstanding at year end:

S/No.	Case/Dispute Name	Case/ Dispute No.	Petitioner/Plaintiff	Defendants/Respondent
1	Civil Suit-Road Traffic Accident	BUNGOMA CIV APPEAL 22/2020	LVNWWDA	Ryan Bunyasi
2	Civil Suit-Constitutional Petition	NRB HCCC PETITION NO. 277 OF 2017	Council of Governors	All Water Sector Institutions
3	Land dispute (Civil) - Trespass	KIMILILI CMC ELC CASE NO. 47 OF 2018	Nancy Wanyonyi & Ano.	LVNWSB & 2 Others.
4	Civil Suit - Compensation of the wrong party	VIHIGA CMC ELC CASE NO. 1 OF 2019	Joseph Sabwa & 2 others	LVNWSB & Ano.
5	Civil Suit-Road Traffic Accident	BUNGOMA CMCC CASE NO. 138 OF 2017	Kennedy Wafula Nyongesa	LVNWSB & ANO.
6	Civil Suit-Road Traffic Accident	BUTALI SPM CASE NO. 117 OF 2019	Abigaiel Namasaka vs	LVNWSB & Ano.
7	Civil Suit-Road Traffic Accident	BUTALI SPM CASE NO. 117 OF 2019	Alfred Mukoyani Nathan	LVNWSB & Ano.
8	Civil Suit-Breach of Contractual obligation	ELDORET HCCC CIVIL APPEAL NO. E021 OF 2021	Jemoraran Construction Company Limited	LVNWSB & Ano.
9	Civil Suit-Road Traffic Accident	BUSIA CMCC NO. 196/2020	Ernest Othieno Odour	LVNWSB & Ano.



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10	Civil Suit- Negligence	KITALE CMCC NO.114/2021	John Wafula Wekesa	LVNWSB & Ano.
11	Civil Suit - Wrongful termination	BUNGOMA ELRC 27/2022	Kenneth Lumwagi Indusa - Vs- LVNWSB	LVNWSB & Kakamega County Water and Sanitation Company
12	Land dispute (Civil) Tresspass	KAKAMEGA CMCC CAUSE NO. 212 OF 2022	Abdalla Kako Manani & Timothy Lisamula Butiya	LVNWWDA
13	Civil Suit-Road Traffic Accident	WEBUYE SPMCC E022 OF 2023	Wycliffe Soita	LVNWSB
15	Civil Suit-Road Traffic Accident	WEBUYE SPMCC E024 OF 2023	Luka Mango Nyongesa Wasike	LVNWSB
14	Civil Suit-Road Traffic Accident	WEBUYE SPMCC E025 OF 2023	Titus Simiyu Musima	LVNWSB
15	Civil Suit-Road Traffic Accident	WEBUYE SPMCC E027 OF 2023	Felix Masinde Wanjala	LVNWSB
16	Civil Suit- Breach of Contract	ELDOROT SCC E420 OF 2023	Jebobela Trading Limited	LVNWWDA

**31. Events after the reporting period**

As at 30<sup>th</sup> June 2023, Kshs 254,416,667 (Two hundred and fifty four million four hundred and sixteen thousand six hundred and sixty seven shillings) was in transit from the Parent Ministry. These amounts were for recurrent expenses and development projects.

**32. Dividends/surplus remission**

LVNWWDA did not make any surplus during the year (FY 2022/2023) and hence no remittance to the Consolidated Fund.

**33. Taxation**

LVNWWDA is a government parastatal and as such is not expected to pay taxes.

**34. Deferred tax liability**

LVNWWDA is a government parastatal and as such is not expected to pay taxes.

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**35. Ultimate and holding entity**

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

**36. Currency**

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



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20. APPENDICES

Appendix I: Implementation Status of Auditor- General's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)																																																				
	<p><b>1. Inaccuracies of the Financial Statements</b> The financial statements reflect comparative figures under several components which are at variance with the corresponding figures reflected in the audited financial statements for the year ended 30 June,2021 as shown below.</p> <table border="1"> <thead> <tr> <th>Component</th> <th>Comparative Figures 2021-2022 (Kshs)</th> <th>Audited Financial Statements 2020-2021 (Kshs)</th> <th>Variance (Kshs)</th> </tr> </thead> <tbody> <tr> <td colspan="4"><b>Statement of Financial Performance</b></td> </tr> <tr> <td>Supply and Services</td> <td>14,317,783</td> <td>14,292,583</td> <td>25,200</td> </tr> <tr> <td colspan="4"><b>Statement of Financial Position</b></td> </tr> <tr> <td>Receivables from Non-Exchange</td> <td>235,811,362</td> <td>229,827,260</td> <td>5,984,102</td> </tr> <tr> <td>Property, Plant and Equipment</td> <td>8,873,386,837</td> <td>8,873,497,912</td> <td>(111,075)</td> </tr> <tr> <td>Capital Works-In-Progress</td> <td>4,843,936,255</td> <td>4,507,157,581</td> <td>336,778,674</td> </tr> <tr> <td>Trade and Other Payables</td> <td>213,466,160</td> <td>207,482,057</td> <td>5,984,103</td> </tr> <tr> <td>Long-Term Loans Due</td> <td>1,067,901,899</td> <td>781,081,029</td> <td>286,820,870</td> </tr> <tr> <td>Borrowings</td> <td>11,571,661,066</td> <td>11,521,703,262</td> <td>49,957,804</td> </tr> <tr> <td>Accumulated Surplus</td> <td>2,958,345,342</td> <td>2,583,324,267</td> <td>375,021,075</td> </tr> <tr> <td colspan="4"><b>Statement of Cash Flows</b></td> </tr> <tr> <td>Purchase of PPE</td> <td>707,430,238</td> <td>370,676,764</td> <td>336,753,474</td> </tr> </tbody> </table>	Component	Comparative Figures 2021-2022 (Kshs)	Audited Financial Statements 2020-2021 (Kshs)	Variance (Kshs)	<b>Statement of Financial Performance</b>				Supply and Services	14,317,783	14,292,583	25,200	<b>Statement of Financial Position</b>				Receivables from Non-Exchange	235,811,362	229,827,260	5,984,102	Property, Plant and Equipment	8,873,386,837	8,873,497,912	(111,075)	Capital Works-In-Progress	4,843,936,255	4,507,157,581	336,778,674	Trade and Other Payables	213,466,160	207,482,057	5,984,103	Long-Term Loans Due	1,067,901,899	781,081,029	286,820,870	Borrowings	11,571,661,066	11,521,703,262	49,957,804	Accumulated Surplus	2,958,345,342	2,583,324,267	375,021,075	<b>Statement of Cash Flows</b>				Purchase of PPE	707,430,238	370,676,764	336,753,474	<p>We restated the comparative column to reflect the reconciled position and included a disclosure relating to prior period errors.</p>	CMF&RM	Resolved	2 <sup>nd</sup> October 2023
Component	Comparative Figures 2021-2022 (Kshs)	Audited Financial Statements 2020-2021 (Kshs)	Variance (Kshs)																																																						
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Decrease in Debtors	71,501,732	65,517,630	5,984,102				
Decrease in Stores	1,327,638	1,307,638	20,000				
Decrease in Creditors	152,188,319	159,383,347	292,804,972				
Rural Water Supply Development	201,792,419	201,992,419	(200,000)				
Repayment of Borrowings	297,473,655	10,654,785	286,820,870				
<b>Notes to the Financial Statements</b>							
Total Depreciation and Amortization - Note 8	307,539,300	307,543,425	(4,125)				
Tender/Seek Quotations-Note 10	663,050	637,850	25,200				
Contractor Debtors KIDDP and UNICEF- Note 16	34,458,830	28,474,728	5,984,102				
Work-In-Progress Belgium Additional during the year-Note 19	663,643,318	326,860,664	336,782,654				
General Suppliers (Trade and Other Payables) - Note 20	206,591,323	200,607,221	5,984,102				
<b>Long term Loan Repayments</b>							
KFW Loan Nzoia Phase 1 - Note 25	382,761,730	309,954,424	72,807,306				
KFW Loan Nzoia Phase 2-Note 25	487,436,770	342,985,214	144,451,556				
WaSSIP-Note 25	197,703,399	128,141,391	69,562,008				
IDA Loan Vihiga Cluster-Note 26	659,380,026	322,601,352	336,778,674				
2. Unsupported Revenue from Non-Exchange Transactions- Transfers from Other Government Units	The statement of financial performance, and as disclosed in Note 3 to the financial statements, reflects an amount of Kshs.275,310,340 in respect of transfers from other Government units, being gifts and services in kind. The amount comprises of Kshs.128,000,000 and Kshs.147,310,340 relating to recurrent and development grants respectively. However, supporting schedules for development grants provided for audit review reflects an amount of Kshs.145,237,000 resulting to a variance of Kshs.2,073,340 which was not supported. In the circumstances, the accuracy and completeness of development grants amount of Kshs.147,310,340 could not be confirmed.			The amount reflected as kshs 147,310,340 is the amount that has been utilized from the deferred income account as charge for the year.	CMF&RM	Resolved	2 <sup>nd</sup> October 2023
				As per note 22, there was a balance b/f from the previous year of Kshs 77,073,340 and receipts of Kshs 70,237,000 totaling to kshs 147,310,340. The amount is equivalent to			




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		the total amount utilized at the end of the year.			
	<p><b>3. Property, Plant and Equipment</b> <b>3.1 Lack of ownership documents</b> The statement of financial position, and as disclosed in Note 18 to the financial statements, reflects a property, plant and equipment balance of Kshs.8,591,243,391. Included in the balance are amounts of Kshs.48,374,204 and Kshs.1,076,523 relating to land and buildings and motor vehicles respectively. However, ownership documents for land and motor vehicles were not provided for audit review. In the circumstances, accuracy, ownership and fair valuation of land and buildings and motor vehicles balances could not be confirmed.</p>	<p>The process of title deed acquisition for Kefinco parcels (Office Headquarters) is still ongoing and all documents were submitted to lands on 14<sup>th</sup> March 2022.</p>	CS	Not Resolved	2 <sup>nd</sup> October 2023
	<p><b>4. Receivables from Exchange Transactions</b> The statement of financial position, and as disclosed in Note 15 to the financial statements, reflects receivables from exchange transactions balance of Kshs 499,206,680 all of which were above ninety (90) days old as at 30 June, 2022. No explanation was provided on why the same had not been collected. In the circumstances, the recoverability of the receivables from exchange transactions of Kshs.499,206,680 could not be confirmed.</p>	<p>Management has activated a resource mobilization division to aid in collection of the arrears</p>	CMF&RM	Resolved	
	<p><b>5. Unsupported Long-Term Loans</b> The statement of financial position, and as disclosed in Note 25 to the financial statements, reflects a long-term loans due balance of Kshs.1,465,088,349. The balance comprises of three (3) loan balances of Kshs.485,787,515, Kshs.673,802,290 and Kshs.305,498,544 relating to KFW-Nzoia Phase I, KFW-Nzoia Phase II and WaSSIP, respectively. However, supporting schedules showing principal amounts, repayments during the year and balances as at 30 June, 2022 were not provided for audit review. In the circumstances, the accuracy and completeness of the long-term loans balance of Kshs. 1,465,088,349 could not be confirmed.</p>	<p>Supporting schedules indicating principal amounts, repayments during the year and balances as at 30th June 2022 were provided for review.</p>	CMF&RM	Resolved	
	<p><b>Basis for Conclusion</b> <b>1. Long outstanding Receivables</b> The statement of financial position reflects receivables from non-exchange transactions of Kshs.40,617,601 which, as disclosed under Note 16 to the financial statements, includes imprest due from staff of Kshs.2,217,701. Analysis of the imprest register and ageing analysis revealed that as at 30 June, 2022, imprests totalling Kshs.818,691 had been outstanding for over 90 days. This is contrary to Regulation 93(5) of the Public Finance Management (National Government) Regulations, 2015 which provides that a holder of a temporary imprest shall account for or surrender the imprest within seven (7) working days after returning to duty station.</p>	<p>The management has recovered long outstanding imprests</p>		Resolved	

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	<p>In the circumstances, the Management was in breach of the law,</p>				
	<p><b>Basis for Conclusion</b>  <b>2. Non-Compliance with the Law on Ethnic Composition</b>          Analysis of the Agency's staff establishment records revealed that during the year under review, the Agency had a total of sixty-eight (68) employees. However, out of this number, 40 employees or 59% were from the same ethnic community. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which provides that no public establishment shall have more than one third of its staff from the same ethnic community.          In the circumstances, Management was in breach of the law.</p>	<p>The Agency has ensured that all job advertisements are well advertised via the Newspapers and Website for at least 21 days so as to reach a widest pool of applicants across the Country. All genders, PWDS, marginalized and minorities groups are always encouraged to apply.</p>		<p>Resolved</p>	
	<p><b>Basis for Conclusion</b>  <b>3. Stalled Project</b>          The Agency awarded a contract to a local contractor for the rehabilitation and augmentation works for Kopsiro Community Water Project at a contract sum of Kshs 28,059,050. The contract period was six (6) months commencing on 02 September, 2019 and was scheduled for completion on 02 March, 2020. However, a review of available records and correspondences revealed that as at 30 June, 2022, the project had stalled for more than two years and the contractor had abandoned site. As at the time of stalling, the contractor had been paid an amount of Kshs.6,098,809. No explanation was provided for the stalling of the project.          In the circumstances, the Agency did not obtain value for money.</p>	<p>The Agency has received approval of wayleave by Kenya Forest Service Works have resumed.</p>		<p>Resolved</p>	

Chairman of the Board

  
 Date 29.02.2024

Chief Executive Officer

  
 Date 29/06/2024



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**Appendix II: Projects implemented by Lake Victoria North Water Works Development Agency**

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

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements. (Yes/No)
Sirisia - Chwele (Koica)- Phase 2	1109105400	KOICA	2years	Ksh 0.44B	No.	Yes
Vihiga Cluster Project- Belgium funding	1109105300	Belgium	3years	Ksh 1.9B	No	Yes
Malava Gravity Scheme Water Project	1109105600	GoK	3 years	Kshs 1B	No	Yes

**Status of Projects completion**

SN	Project	Total project Cost (Kshs)	Total expended to date (Kshs)	Completion % to date	Budget (Kshs)	Actual (Kshs)	Sources of funds
1	Sirisia - Chwele (Koica)- Phase 2	440,000,000	253,058,278	80%	210,000,000	210,000,000	KOICA
2	Vihiga Cluster Project- Belgium funding	1,900,000,000	1,827,688,712	99%	50,000,000	40,000,000	Belgium
3	Malava Gravity Scheme Water Project	1,000,000,000	143,803,071	15%	100,000,000	85,000,000	GoK

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Appendix III: Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/Others	Total Amount - KES	Where Recorded/recognized		Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	
Ministry of Water & Sanitation	04-Aug-22	Recurrent	11,916,667	11,916,667	0	11,916,667
Ministry of Water & Sanitation	09-Sep-22	Recurrent	11,916,667	11,916,667	0	11,916,667
Ministry of Water & Sanitation	05-Oct-22	Recurrent	11,916,666	11,916,666	0	11,916,666
Ministry of Water & Sanitation	15-Nov-22	Recurrent	11,916,667	11,916,667	0	11,916,667
Ministry of Water & Sanitation	13-Dec-23	Recurrent	11,916,667	11,916,667	0	11,916,667
Ministry of Water & Sanitation	05-Jan-23	Recurrent	11,916,666	11,916,666	0	11,916,666
Ministry of Water & Sanitation	06-Feb-23	Recurrent	11,916,667	11,916,667	0	11,916,667
Ministry of Water & Sanitation	23-Mar-23	Recurrent	11,916,667	11,916,667	0	11,916,667
Ministry of Water & Sanitation	14-Apr-23	Recurrent	11,916,666	11,916,666	0	11,916,666
Ministry of Water & Sanitation	06-Jun-23	Recurrent	11,916,667	11,916,667	0	11,916,667
Ministry of Water & Sanitation	26-Jun-23	Recurrent	11,916,667	11,916,667	0	11,916,667
Ministry of Water & Sanitation	03-Jul-23	Recurrent	11,916,666	11,916,666	0	11,916,666
<b>Sub-total</b>			<b>143,000,000</b>	<b>143,000,000</b>	<b>0</b>	<b>143,000,000</b>



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Ministry of Water & Sanitation	29-Sep-22	Development	97,500,000	10,000,000	87,500,000	97,500,000
Ministry of Water & Sanitation	29-Sep-22	Development	24,250,000	24,250,000		24,250,000
Ministry of Water & Sanitation	03-Jul-23	Development	242,500,000	110,000,000	132,500,000	242,500,000
<b>Sub-total</b>			<b>364,250,000</b>	<b>144,250,000</b>	<b>220,000,000</b>	<b>364,250,000</b>
KOICA	07-07-22	Development	40,462,510		40,462,510	40,462,510
KOICA	10-04-22	Development	32,728,046		32,728,046	32,728,046
KOICA	22/12/2022	Development	25,864,657		25,864,657	25,864,657
KOICA	17/03/2023	Development	45,084,344		45,084,344	45,084,344
<b>Sub-total</b>			<b>144,139,557</b>	<b>0</b>	<b>144,139,557</b>	<b>144,139,557</b>
AfDB	11-07-22	Development	5,099,830.68		5,099,830.68	5,099,831
AfDB	18-07-22	Development	2,489,124.40		2,489,124.40	2,489,124
AfDB	19-09-22	Development	51,484,277.83		51,484,277.83	51,484,278
AfDB	06-10-22	Development	148,135,314		148,135,314	148,135,314
AfDB	07-10-22	Development	63,899,230.20		63,899,230.20	63,899,230
AfDB	27-10-22	Development	45,533,562.96		45,533,562.96	45,533,563

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AfDB	08-11-22	Development	53,072,777.11		53,072,777.11	53,072,777
AfDB	10-11-22	Development	94,226,830		94,226,830	94,226,830
AfDB	21-11-22	Development	18,205,064		18,205,064	18,205,064
AfDB	28-11-22	Development	40,857,449		40,857,449	40,857,449
AfDB	05-12-22	Development	24,022,557		24,022,557	24,022,557
AfDB	09-12-22	Development	4,720,225		4,720,225	4,720,225
AfDB	15-12-22	Development	14,365,037		14,365,037	14,365,037
AfDB	20-12-22	Development	2,705,280		2,705,280	2,705,280
AfDB	06-02-23	Development	5,910,517		5,910,517	5,910,517
AfDB	09-02-23	Development	18,401,893		18,401,893	18,401,893
AfDB	03-02-23	Development	22,839,706		22,839,706	22,839,706
AfDB	06-03-23	Development	57,648,891		57,648,891	57,648,891
AfDB	14-03-23	Development	6,249,197		6,249,197	6,249,197
AfDB	23/05/23	Development	36,918,542		36,918,542	36,918,542
AfDB	13-12-22	Development	2,111,465		2,111,465	2,111,465
AfDB	15-12-22	Development	443,300		443,300	443,300



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AfDB	03-02-23	Development	3,943,790		3,943,790	3,943,790
AfDB	06-02-23	Development	2,374,650		2,374,650	2,374,650
AfDB	03-02-23	Development	19,260,856		19,260,856	19,260,856
<b>Sub-total</b>			<b>744,919,364</b>		<b>744,919,364</b>	<b>744,919,364</b>
<b>GRAND TOTAL</b>			<b>1,396,308,921</b>	<b>287,250,000</b>	<b>1,109,058,921</b>	<b>1,396,308,921</b>

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Appendix IV: Inter-Entity Confirmation Letter

Confirmation of amounts received by Lake Victoria North Water Works Development Agency as at 30 <sup>th</sup> June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by Ministry of Water and Sanitation as at 30 <sup>th</sup> June 2023				Amount Received by LVNWWDA (KShs) as at 30 <sup>th</sup> June 2023 ( E )	Differences (KShs)- F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial ( C )	Total (D)=(A+B+C)		
	07-07-22	0	40,462,510	0	40,462,510	40,462,510	0
	11-07-22	0	5,099,830.68	0	5,099,831	5,099,831	0
	18-07-22	0	2,489,124.40	0	2,489,124	2,489,124	0
	04-08-22	11,916,667	0	0	11,916,667	11,916,667	0
	09-09-22	11,916,667	0	0	11,916,667	11,916,667	0
	19-09-22		51,484,277.83	0	51,484,278	51,484,278	0
	29-09-22	0	97,500,000	0	97,500,000	97,500,000	0
	29-09-22	0	24,250,000	0	24,250,000	24,250,000	0
	04-10-22		32,728,046	0	32,728,046	32,728,046	0
	05-10-22	11,916,666	0	0	11,916,666	11,916,666	0
	06-10-22		148,135,314	0	148,135,314	148,135,314	0
	07-10-22		63,899,230.20	0	63,899,230	63,899,230	0
	27-10-22		45,533,562.96	0	45,533,563	45,533,563	0
	08-11-22		53,072,777.11	0	53,072,777	53,072,777	0
	10-11-22		94,226,830	0	94,226,830	94,226,830	0
	15-11-22	11,916,667	0	0	11,916,667	11,916,667	0
	21-11-22		18,205,064	0	18,205,064	18,205,064	0
	28-11-22		40,857,449	0	40,857,449	40,857,449	0
	05-12-22		24,022,557	0	24,022,557	24,022,557	0
	09-12-22		4,720,225	0	4,720,225	4,720,225	0
	05-01-23	11,916,666		0	11,916,666	11,916,666	0
	13-12-23	11,916,667	0	0	11,916,667	11,916,667	0



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	15-12-22		14,365,037	0	14,365,037	14,365,037	0
	20-12-22		2,705,280	0	2,705,280	2,705,280	0
	22-12-22		25,864,657	0	25,864,657	25,864,657	0
	06-02-23	11,916,667	0	0	11,916,667	11,916,667	0
	06-02-23		5,910,517	0	5,910,517	5,910,517	0
	09-02-23		18,401,893	0	18,401,893	18,401,893	0
	03-02-23		22,839,706	0	22,839,706	22,839,706	0
	06-03-23		57,648,891	0	57,648,891	57,648,891	0
	14-03-23		6,249,197	0	6,249,197	6,249,197	0
	17-03-23		45,084,344	0	45,084,344	45,084,344	0
	23-03-23	11,916,667	0	0	11,916,667	11,916,667	0
	14-04-23	11,916,666	0	0	11,916,666	11,916,666	0
	23-05-23		36,918,542	0	36,918,542	36,918,542	0
	06-06-23	11,916,667	0	0	11,916,667	11,916,667	0
	26-06-23	11,916,667	0	0	11,916,667	11,916,667	0
	03-07-23	11,916,666	242,500,000	0	254,416,666	254,416,666	0
	13-12-22		2,111,465	0	2,111,465	2,111,465	0
	15-12-22		443,300	0	443,300	443,300	0
	03-02-23		3,943,790	0	3,943,790	3,943,790	0
	06-02-23		2,374,650	0	2,374,650	2,374,650	0
	03-02-23		19,260,856	0	19,260,856	19,260,856	0
<b>Total</b>		<b>143,000,000</b>	<b>1,253,308,921</b>	<b>0</b>	<b>1,396,308,921</b>	<b>1,396,308,921</b>	<b>0</b>

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

Head of Accountants department of LVNWWDA:

Name CPA Anthony Kisaka

Sign .....  ..... Date ..... 29/01/2024 .....

