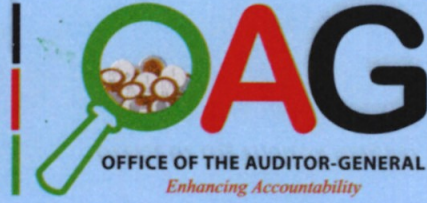


REPUBLIC OF KENYA




REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability



REPORT

| | |
|---|--------------------|
|  THE NATIONAL ASSEMBLY PAPERS LAID | |
| DATE: 10 MAR 2026 | DAY: TUESDAY |
| TABLED BY: | HON. OWEN BAYA, MP |
| CLERK AT THE TABLE: | CHRISTINE NDIRITU |

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ON

**MWEA IRRIGATION DEVELOPMENT
PROJECT - LOAN AGREEMENT
NO. KE - P27**

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



PROJECT NAME: MWEA IRRIGATION DEVELOPMENT PROJECT

IMPLEMENTING ENTITY: NATIONAL IRRIGATION AUTHORITY

PROJECT CREDIT NUMBER KE-P27

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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

Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30,2025

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Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30,2025

1. Acronyms and Definition of Terms

| | |
|----------------|---|
| NIA | National Irrigation Authority |
| MIS | Mwea Irrigation Scheme |
| MIDP | Mwea Irrigation Development Project |
| NT | The National Treasury |
| CEO | Chief Executive Officer |
| EBK | Engineers Board of Kenya |
| Ag | Acting |
| ENG. | Engineer |
| M & E | Monitoring and Evaluation |
| PSASB | Public Sector Accounting Standards Board |
| IPSAS | International Public Sector Accounting Standards |
| PMF | Public Finance Management |
| IPC | Interim Payment Certificate |
| MWI | Ministry of Water and Irrigation |
| CPA | Certified Public Accountant |
| ICPAK | Institute of Certified Public Accountant Kenya |
| JICA | Japan International Cooperation Agency |
| GoK | Government of Kenya |
| NB | Note Better |
| A/C | Account |
| No. | Number |
| B/F | Brought Forward |
| C/F | Carried Forward |
| FY | Financial Year |
| FC | Foreign Currency |
| LC | Local Currency |
| PAPs | Project Affected Persons |
| Comparative FY | Financial year preceding the current financial year |

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is Mwea Irrigation Development Project (MIDP)

Objective

The key objective of the project is to increase the productivity of rice and other crops by improving Irrigation infrastructures and strengthening the operations and maintenance framework in Mwea Irrigation Settlement Scheme (MIS). Thereby, contributing to raising the farmers' livelihood in MIS area and food security in Kenya.

Address

The project headquarters office is in Nairobi (city), Nairobi County, Kenya.

The address of its registered office is:

National Irrigation Authority

P.O Box 30372, 00100

Nairobi, Kenya

The project also has an office as follows:

- Mwea Site office
Mwea Division, Kirinyaga County
Central Province

Contacts

The following are the project contacts

P.O Box 30372, 00100

Telephone: (254) -20-2711380/2711468

E-mail: ceo@irrigationauthority.go.ke

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

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30,2025***

Project information and overall performance (continued)

2.2 Project Information

| | |
|---------------------|---|
| Project Start Date: | 13 th December 2010 |
| Project End Date: | 13 th December, 2023 extended to 13 th December, 2025 |
| Project Manager: | Eng. Stephen Mutinda |
| Project Sponsor: | The project sponsor is JICA/GoK |

2.3 Project Overview

| | |
|--|--|
| Line Ministry/State Department of the project | The project is under the supervision of the Ministry of Water ,Sanitation and Irrigation (MWI)- State Department of Irrigation |
| Project number | KE-P27 |
| Strategic goals of the project | The strategic goals of the project are as: (i) Increase rice production in MIS, Thus, increasing food security in Kenya (ii) Increase the acreage under rice production in MIS. |
| Summary of project Strategies for achievement of strategic goals | The project management aims to achieve the goals through the following means: (i) Construction of Thiba dam which has been completed and its appurtenant structures (ii) Expansion of irrigation area. |
| Other important background information of the project. | The project has 3 major components i) Package I: Construction of Thiba dam being implemented by Strabag International GmbH (Completed) ii) Package II: Construction of Irrigation and drainage facilities being implemented by Mutahi Engineering Limited and Joycott Limited. iii) Consultancy services for engineering services for Mwea Irrigation Development Project by Nippon Koei Limited. iv) Resettlement of the PAPs by HAIDCO limited |
| Areas that the project was formed to intervene. | The project was formed to intervene in the following areas: (i) Frequent water shortages occasioned by unreliable rainfall thus, leading to low rice yields per acre. (ii) Land lying furrow during short rain season – the farmers will move from one cropping season to two cropping seasons per year. |

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30,2025***

| | |
|------------------|--|
| | (iii) Expansion of acreage under production. |
| Project duration | <p>The project started on 13st December 2010 and was expected to run until 13th December 2023</p> <ul style="list-style-type: none"> i. Package I: Construction of Thiba dam being implemented by Strabag International GmbH was completed and commissioned on 15/10/2022. ii. Package II -lot 1: Construction of civil works of Irrigation facilities by Joycot General Contractors is at 38%. The contract was awarded on 22/03/2023 and Terminated in December 2024. iii. Construction of Irrigation and drainage facilities being implemented by Mutahi Engineering Limited is at 80%. The contract was awarded on 22/03/2023 and expected completion date is 10th September, 2025. |

Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the current year:

- i. NCBA Bank – Kenya
- ii. Equity Bank Limited - Kenya

2.5 Independent Auditor

The project is audited by Office of the Auditor General

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30,2025***

2.6 Roles and Responsibilities

| Names | Title designation | Key qualification | Responsibilities |
|------------------------------------|--|--|--|
| Eng. Charles Muasya, <i>MBS</i> | Chief Executive Officer (CEO) | Bachelor of Science in Agricultural Engineering, Masters in Civil Engineering, Registered Engineer with EBK | Overall coordination of the project. |
| Eng. Loise Kahiga | Ag. Director Irrigation Development | Bachelor of Science in Civil engineering and Master of Arts degree in project Planning and Management. | Coordination of Engineering matters on the project. |
| Eng. Stephen Mutinda | Project Manager | Bachelor of Science in Agricultural Engineering | Coordinating all technical matters of the project |
| Eng. Charles Wanjala | Project Manager | Bachelor of Science in Hydraulic Engineering | Coordinating all technical matters of the project |
| CPA. Leah Muoria | Project Accountant | Bachelor of Business management (BBM) Accounting Option and CPA(K) | Advising on project financial matters |
| M/s Patricia Siele | Procurement officer | Bachelor's Degree in Business Management (Purchasing & Supplies - Option). Certified Procurement and Supply Professional of Kenya (CPSP-K) | Advising on procurement matters for the project. |
| Mr. Yuji Yunoki | Team leader-Consultant | Over 35 years' experience in Irrigation and dam construction | Responsible for day-to-day implementation of the project |
| Mr. Keiji Tamura | Construction Engineer (Irrigation & Drainage.) | Over 20 years of experience in the construction of irrigation and drainage facilities. | Supervision of construction works for the irrigation and drainage systems. |
| M/s Dorothy Kawira | M & E Officer | Bachelor of Agricultural Economics, Master of Science in Arts Project planning and Management | Responsible for project monitoring and evaluation |

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30,2025***

2.7 Funding summary

The Project is for duration of Thirteen years from 2010 to 2023 with a revision to September 2025 and an approved budget of **JPY 20,539,755,789.00** equivalent to KSh. **16,975,004,784.00** as highlighted in the table below:

A. Source of Funds

| | Donor Commitment- | | Amount received to date (30-06-2025) | | Undrawn balance to date (30-06-2025) | |
|-------------------------------|-----------------------|-----------------------|--------------------------------------|-----------------------|--------------------------------------|----------------------|
| | Donor currency (JPY) | Kshs. | Donor currency (JPY) | Kshs. | Donor currency (JPY) | Kshs Million |
| | (A) | (A') | (B) | (B') | (A)-(B) | (A')-(B') |
| (i) Loan | | | | | | |
| JICA Fund | 13,178,000,000 | 10,890,909,091 | 13,028,425,379 | 10,767,293,702 | 149,574,621 | 123,615,389 |
| | | | | | | |
| (ii)Counterpart funds | | | | | | |
| Government of Kenya | 7,361,755,789 | 6,084,095,693 | 6,092,828,586 | 5,038,022,088 | 1,265,749,062 | 1,046,073,605 |
| | | | | | | |
| Total | 20,539,755,789 | 16,975,004,784 | 19,121,253,965 | 15,805,315,790 | 1,415,323,683 | 1,169,688,994 |

Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30,2025

Project information and overall performance (continued)

B. Application of Funds

| Application of funds | Amount received to date (30.06. 2025) | | Cumulative Amount paid to date (30.06.2025) | | Unutilised balance to date (30.06.2025) | |
|-------------------------------|--|-----------------------|--|-----------------------|--|--------------------|
| | <i>Donor currency (JPY)</i> | <i>Kshs.</i> | <i>Donor currency (JPY)</i> | <i>Kshs.</i> | <i>Donor currency (JPY)</i> | <i>Kshs.</i> |
| | <i>(A)</i> | <i>(A')</i> | <i>(B)</i> | <i>(B')</i> | <i>(A)-(B)</i> | <i>(A')-(B')</i> |
| (i) Loan | | | | | | |
| JICA Fund | 13,028,425,379 | 10,767,293,702 | 13,028,425,379 | 10,767,293,702 | - | - |
| (ii) Counterpart funds | | | | | | |
| Government of Kenya | 6,092,828,586 | 5,038,022,088 | 5,408,711,256 | 4,470,009,303 | 684,117,330 | 568,012,786 |
| Total | 19,121,253,965 | 15,805,315,790 | 18,437,136,635 | 15,237,303,005 | 684,117,330 | 568,012,786 |

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

- i) Budget performance against actual amounts for the current Financial Year is 83% and for the cumulative to-date is 96 %.
- ii) The physical progress is as follows: -
 - a) Construction of Thiba dam being implemented by Strabag International GmbH is at 100%
 - b) Package II -lot 1: Construction of civil works is at 38%
 - c) Construction of irrigation and drainage facilities being implemented by Mutahi Engineering Limited is at 80%
- iii) The absorption rate for each year since the commencement of the project Package II
 - a. Financial year 2020/2021 - 73%
 - b. Financial year 2021/2022 - 55%
 - c. Financial year 2022/2023 - 54%
 - d. Financial year 2023/2024 - 69%
 - e. Financial year 2024/2025 - 53%
- iv) The implementation challenges experienced are:
 - a) Budget cuts by The National Treasury, which we recommend that the money requested be disbursed on time in order to maintain the project on course.
 - b) Heavy rains brought about challenges in construction schedules, increased risks of flooding, and heightened erosion concerns.

2.9 Summary of Project Compliance:

The project complied with all statutory requirements

3. Statement of Performance against Project's Predetermined Objectives

Introduction

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

Mwea Irrigation Development Project

Annual Report and Financial Statements for the financial year ended June 30,2025

The key development objectives of the project's 2010-2023 plan are to increase the productivity of rice and other feasible horticultural crops by improvement of irrigation facilities, including stable supply of water and strengthening of the operations and maintenance framework in MIS, Thereby, contributing to raising the farmers' livelihoods in the MIS area and food security in Kenya.

Progress on the attainment of strategic development objectives

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

| Project | Objective | Outcome | Indicator | Performance |
|--------------------------------------|---|---------------------------------------|---|---|
| Mwea Irrigation Development Project. | To increase the productivity of rice and other crops. | Improvement of Irrigation facilities. | Percentage increase in rice and other crops produced. | The Project is on-going and estimated level of progress is at 100% for Package 1 & Package II at an average of 60 % |

4. Environmental and Sustainability Reporting

Mwea Irrigation Development Project aims at increasing Irrigable area through provision of sustainable water supply. Key sustainable efforts embraced by the project include;

1. Sustainability strategy and profile

The Project is at the forefront in implementing sustainability in its key areas of operation.

These aim at optimizing water use in Irrigation while minimizing environmental impacts and ensuring long-term productivity.

2. Environmental performance

The Project is aware that the delivery of its core mandate can have negative impacts to the environment. Therefore, the Project recognizes that some of its activities if not well controlled

and managed can lead to negative environmental impacts. The Project acts as a responsible environmental steward by complying with the applicable environmental laws and regulations.

One of these measures is the adoption of an Environmental Policy Statement that seeks to address and give guidelines of the necessary steps taken to address negative environmental impacts from the delivery of our mandate.

3. Employee welfare

In carrying out its mandate, the Project accords equal opportunity to all people of Kenya in the employment of staff and provision of services. The Project is an equal opportunity employer, embraces diversity of Kenya's communities and does not in its recruitment and selection process, discriminate based on gender, race, religion, ethnicity or any other form of discrimination.

The Project has put in place efforts to enhance skills gaps by undertaking skills gaps analysis through which annual staff training projections are prepared. The identified skills gaps and training needs are addressed through interventions such as recruitment, outsourcing, capacity building, and training, coaching and mentoring.

The staff appraisal is managed through an online Performance Management system whereby individual employees set annual performance targets. The performance is reviewed mid-view and an action plan developed for implementation of the recommendations emanating from the staff appraisal reports.

The Project has developed a Workplace Occupational Health and Safety Policy that outlines the commitment of the Project to providing a safe and healthy work environment for employees. The Policy sets out the general approach to health and safety in the Authority as well as management health and safety in the workplace.

In line with the Projects' employee welfare the contractor has put into place a transparent recruitment where all positions are advertised. The contractor also ensures that the labour laws are adhered to including the minimum wage criteria.

The contractor has issued all the workers with requisite PPEs and worn out PPEs are replenished on time.

4. Market place practices

a) Responsible Supply chain and supplier relations

As stakeholders are becoming increasingly interested in business affairs, the Project continually ensures that, their partners conduct themselves in a socially responsible manner. This is done through sensitization on government procurement opportunities in the Project's all schemes/stations to ensure that the public is aware of the available opportunities and how to participate for free, fair, transparent and competitive procurement process.

The Project advertises its tenders in Government Advertising Agency's MY Gov publication distributed by local newspapers, Public Procurement Information Portal (PPIP), <https://tenders.go.ke/> and the Project's website, <https://irrigationauthority.go.ke/tenders/> thus ensuring the interested tenderers have access to information and can freely seek clarifications through various channels of communication provided.

b) Responsible ethical practices

The Project is required to advertise the invitation to tender in Kenya's dedicated tenders portal or one or more English-language newspapers or other publications that, together, have sufficient circulation outside Kenya to allow effective competition for the procurement. This is done through Government Advertising Agency's MY Gov publication distributed by local newspapers, Public Procurement Information Portal (PPIP), <https://tenders.go.ke/> and the Project's website, <https://irrigationauthority.go.ke/tenders>.

c) Regulatory impact assessment

The Project conducts environmental impact assessment on all its projects prior to implementation to ensure that all projects are evaluated on their the economic, environmental and social impact thus promoting environmentally sound and sustainable development through the identification of appropriate alternatives and mitigation measures. The Project conducts public participation prior to commencement of mega projects to ensure that the public who are the ultimate users accept the

Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30,2025

project. The notice for public participation is usually conducted through Kenya Gazette which is accessible to the public and opinions for the public is received, evaluated.

5. Community Engagements

During the FY 2024/2025, the following activities were undertaken according to the Project's CSR
The Project distributed fruit-tree and indigenous-tree seedlings to farmers and local communities respectively across the Country for planting during the rainy seasons in an effort to increase forest and tree cover as part of the National Tree Growing Campaign and Corporate Social Responsibility initiatives

5. Statement of Project Management Responsibilities

The Chief Executive Officer the Project Manager for Mwea Irrigation Development Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on *30 June 2025*. These responsibilities includes: (i) Maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period, (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the Project, (v) Selecting and applying appropriate accounting policies and (vi) Making accounting estimates that are reasonable in the circumstances.

The Chief Executive Officer and the Project Manager for Mwea Irrigation Development Project accept responsibility for the Project's financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Chief Executive Officer and the Project Manager for Mwea Irrigation Development Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended *30 June 2025*, and of the Project's financial position as at that date. The Chief Executive Officer, Mwea Irrigation Development Project and the Project Manager for Mwea Irrigation Development Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Chief Executive Officer and the Project Manager for Mwea Irrigation Development Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the *Chief Executive Officer* for the Mwea Irrigation Development Project and the *Project Manager* for ***Mwea Irrigation Development project*** on 26/11/ 2025 and signed by them.



Chief Executive Officer
Eng. Charles Muasya, MBS



Project Manager
Eng. Stephen Mutinda

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MWEA IRRIGATION DEVELOPMENT PROJECT - LOAN AGREEMENT NO. KE - P27 FOR THE YEAR ENDED 30 JUNE, 2025 – NATIONAL IRRIGATION AUTHORITY

PREAMBLE

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

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

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

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities 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 transitional IPSAS financial statements of Mwea Irrigation Development Project - Loan Agreement No.KE - P27 set out on pages 1 to

26, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes 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 transitional IPSAS financial statements present fairly, in all material respects, the financial position of Mwea Irrigation Development Project as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with Transitional International Public Sector Accounting Standards Accrual Basis (including the transitional provisions permitted under IPSAS 33) and comply with the Loan Agreement No.KE-P27 dated 16 August, 2010 between the Japan International Cooperation Agency (JICA) and the Republic of Kenya and the Public Finance Management Act, 2012; and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025

Basis for Qualified Opinion

Unexplained Variance in Funding Summary

Paragraph 2.7 on funding summary indicates source of funds amount received to date of Kshs.15,805,315,790 against application of fund amounting to Kshs.15,237,303,005 leading to unutilized balance to date of Kshs.568,012,786. However, the statement of financial position reflects cash and cash equivalent balance of Kshs.2,184,018 resulting in an unexplained variance of Kshs.565,828,768.

In the circumstances, the accuracy of the funding summary information and cash and cash equivalent balance of Kshs.2,184,018 could therefore not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Mwea Irrigation Development Project Management Loan Agreement No. KE - P27 in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amount reflects final revenue budget and actual on a comparable basis of Kshs.589,000,000 and Kshs.489,221,814 respectively resulting in an under funding Kshs.99,778,186 or 17%, Similarly, the statement reflects actual expenditure of Kshs.824,910,458 against actual receipts of Kshs.489,221,814 resulting in overutilization of Kshs.335,688,644 or 67% of the actual receipts.

However, the overutilization was not supported with approval from the cabinet secretary contrary to section 47 of the Public Finance Management (National Government) Regulation 2015, which requires the accounting officer to seek approval from the cabinet secretary and indicate the actions taken to mitigate any budget variation and the Management did not explain the source of the excess spending.

In the circumstance, the accuracy of the expenditure of Kshs.824,910,458 could not be confirmed.

2. Amount Withdrawn but Not Claimed

The Statement of Special (Designated) Account Reconciliation for the Project reflects total amount advanced totalling JPY 136,005,707. This amount is equivalent to Kshs.122,133,125 at the exchange rate of Ksh.89.8 per 100 JPY as of 30 June, 2025. During the year the project Management justified Nil expenditure leaving a balance of JPY 136,005,707 (Kshs.122,133,125) which expenditure returns had not been submitted to The National Treasury by the close of the financial year

My opinion is not modified in respect of these matters.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Matters

In the audit report of the prior year, several issues were raised under Report on lawfulness and Effectiveness in Use of Public Resources, Emphasis of Matter and Report on the Effectiveness of Internal Controls, Risk Management and Governance. However, management has not resolved some of the issues or given explanation for failure to resolve them as at 30 June, 2025 as shown below: -

1. Budgetary Control and Performance
2. Slow Absorption of Project Funds
3. Avoidable Interest on Delayed Payment
4. Slow Implementation of the project
5. Unauthorized Reallocation of Funds

Other Information

The Management is responsible for the Other Information set out on page i to xiv which comprise of Project Information and Overall Performance, Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Statement of Project Management Responsibilities, Statement of Performance Against Predetermined Objectives. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Lack of Authority to Open and Operate a Bank Account

Review of a letter dated 11 March, 2024 ref:AG.3/88/1Vol.76/ (54) revealed that National Irrigation Authority was granted authority by the National Treasury to open and operate one bank account for Mwea Irrigation Development project with Equity Bank namely Mwea Irrigation Development Project account However, examination of the financial records revealed the project, holds another account in a different bank whose authority to open and operate was not sought from the National Treasury. Additionally, the account had no transactions other than interests earned on funds held in the account.

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

2. Irregular Co-Mingling of Funds

Review of bank statement and cash book reveals funds transfers from the Mwea Irrigation Development Project Account No.1510284335969 to other projects, Irrigation scheme accounts and National Irrigation Authority accounts. Further, an analysis of payment schedules provided for audit reveals that, some of the expenditure incurred in the project were paid from other accounts other than designated project bank account.

In addition, review of the project's prior year and quarterly financial statements further revealed inclusion of two bank accounts in the cash and cash equivalent balances which were related to the Authority. These accounts were bank Account of National Irrigation Authority accounts.

2.0 Delay in the Projects Completion

2.1 Fencing Works of Thiba Dam, Kirinyaga County, Phase 1

National Irrigation Authority entered into contract agreement dated 1 December, 2022 with a contractor for fencing works of Thiba dam (6,500m), phase 1 Ref. No.NIA/T/066/2022-2023 at a contract sum of Kshs.26,646,500 and contract period of 6 calendar months. Gross amount approved for payment on Interim Payment Certificate was Kshs.15,995,465. Review of records provided revealed the following;

- i. Interim Payment Certificate 1 amounting to Kshs.15,995,465 was the last certificate raised on 10 March, 2023 and approved in the month of June, 2023 representing 54% payment status and 61% physical progress. However, as at time of audit in July, 2025 no subsequent interim payment certificates were raised and in absence of progress reports for the works, project completion status as at time of audit could not be confirmed.
- ii. Commencement date was 1 February, 2023 as revealed in Commencement order letter dated 1 February, 2023 by the resident engineer. The completion date was thus expected to be on 31 July, 2023 since the contract period was six (6) calendar months. However, as at time of audit, the contract period had lapsed by 24 months. No justification had been provided for the delayed fencing works and it could not be ascertained whether there was an approved contract extension. Further, performance bond granted by M/s Smep Microfinance bank was set to expire on 24 August, 2023. It could not be confirmed whether performance guarantee period was renewed upon delayed completion of fencing works.

2.2 Fencing Works of Thiba Dam Phase 2 - Kirinyaga County

The statement of financial position reflected property plant and equipment balance of Kshs.15,704,284,215 and as disclosed under Note 11 includes additions of Kshs.846,573,396 which further includes Kshs.15,653,415 for fencing works of Thiba dam phase 2-Kirinyaga County at a contract sum of Kshs.25,949,000. Review of the contract agreement dated 10 January, 2023 revealed that the contract period was six(6) calendar months and physical verification in July, 2025 revealed that the work is at 60% physical progress and the contract period lapsed, Engineers commencement order for the fencing works, number of months lapsed since expiry, justification for delayed completion, contract extension approval and renewal of performance guarantee could not be established in absence of appropriate records.

2.3 Mwea Irrigation Development Project Package II Lot 1

The statement of financial position reflected property plant and equipment balance of Kshs.15,704,284,215 and as disclosed under Note 11 includes additions of Kshs.846,573,396 which further includes Kshs.19,114,622 for the construction of civil works of irrigation facilities for Mwea Irrigation Development Project, Package II Lot1 –signed on 22 February,2021 for the contract Price of Kshs.920,117,880 Commencement date of the project was 22 March, 2021 with expected completion date to be 15 July, 2022. Management had approved ten (10) project extensions with the expected revised completion date to be 9 January, 2025. Interim payment certificate numbers 1-10 amounting to USD.2,258,119.17 had been raised and certified. Review of project records revealed that the contractor, from the 4 of April,

2024 till 20 December, 2024 had been operating without a valid performance security. However, no documentary evidence was provided to confirm that management had requested for the guarantee and the contractor failed to comply

The management issued a notice of contract termination by employer on 5 December, 2024 referenced NIA/HQ/M1/163 Vol 6 to the contractor citing slow working progress and failure to renew a performance security guarantee that is valid and enforceable.

Project verification carried out in July, 2025 revealed a new contractor was already on site and taken over works. However, a contract termination clearance from the Attorney General, site handing over reports after the termination of the contract and reports from the contract management team to corroborate the contract termination were not provided to confirm the termination process has been approved.

2.4 Construction of Civil Works for Drainage Facilities and Other works Package II -Lot 2

The statement of financial position reflected property, plant and equipment balance of Kshs.15,704,284,215 and as disclosed under Note 11 includes additions of Kshs.846,573,396 which further includes Kshs.98,952,093 for the construction of civil works of Drainage facilities and other works for Mwea Irrigation Development Project, Package II Lot 2 – Contract No. NIA/T/088/2020-2021 signed on 25 February, 2021 for the contract Price of USD 6,487,899.83. The project commenced on 22 March, 2021, for a contract period of 18 months, with expected completion date to be 22 July, 2022. Nine (9) contract period extensions amounting to 1022 days cumulatively were approved with a revised completion date of 12 May, 2025. A tenth extension was further approved however; Management did not provide extension request from the contractor and contract evaluation committee's minutes and recommendation to justify the approval.

Field verification of the project conducted in July, 2025 revealed the following observations

- i. The contractor was not on site.
- ii. Construction works on the engineer's office and site clinic had stalled.
- iii. Excavation of the Mutithi main and branch drains had been partly done
- iv. Construction of the connecting roads was not complete.
- v. Gates and Ancillary works had not been done
- vi. Electrical works and connectivity had not been done

In the circumstances, value for money on the above pending works could not be confirmed.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of the Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


28 November, 2025


***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30,2025***


7. Statement of Financial Performance for the Year Ended 30th June 2025

| | Notes | 2024/2025 |
|-----------------------------|-------|--------------------|
| | | Kshs |
| Revenue | | |
| Revenue Transfers | 6 | 400,000,000 |
| Miscellaneous Revenue | 7 | 243,829 |
| Total revenue | | 400,243,829 |
| | | |
| Expenses | | |
| Employee costs | 8 | 655,345 |
| Use of goods and services | 9 | 21,271,449 |
| Total expenses | | 21,926,794 |
| Other gains/(losses) | | - |
| Surplus/ (deficit) | | 378,317,035 |
| | | |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 26/11/2025 and signed by:


 Chief Executive Officer
 Eng. Charles Muasya, MBS


 Project Manager
 Eng. Stephen Mutinda


 Project Accountant
 CPA. Leah Mwarira
 ICPAK Member Number: 10230


*Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30,2025*


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

| | Note | 30 th June 2025 | 1st July 2024 |
|----------------------------------|------|----------------------------|-----------------------|
| | | Kshs | Kshs |
| Assets | | | |
| Current Assets | | | |
| Cash and Cash equivalents | 10 | 2,184,018 | 337,872,662 |
| Total Current Assets | | 2,184,018 | 337,872,662 |
| Non-Current Assets | | | |
| Property, Plant and Equipment | 11 | 15,704,284,215 | 14,857,710,819 |
| Total Non- Current Assets | | 15,704,284,215 | 14,857,710,819 |
| Total Assets (a) | | 15,706,468,233 | 15,195,583,481 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and Other Payables | 12 | 72,894,292 | 37,637,532 |
| Third Party Deposits | 13 | 59,015,791 | 50,682,819 |
| Total Current Liabilities | | 131,910,083 | 88,320,351 |
| Total Liabilities (b) | | 131,910,083 | 88,320,351 |
| Net Assets (a-b) | | 15,574,558,150 | 15,107,263,130 |
| Represented By: | | | |
| Accumulated Reserves | | 4,807,264,448 | 4,428,947,413 |
| JICA Grant | | 10,767,293,702 | 10,678,315,717 |
| Net Assets | | 15,574,558,150 | 15,107,263,130 |

The financial statements were approved on 26/11/2025 and signed by:


 Chief Executive Officer
 Eng. Charles Muasya, MBS


 Project Manager
 Eng. Stephen Mutinda


 Project Accountant
 CPA. Leah Muoria
 ICPAK Member Number: 10230

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30,2025***


9. Statement of Changes in Net Assets

| Description | Accumulated Reserves | JICA | Total |
|--|-----------------------------|-----------------------|-----------------------|
| | Kshs | Kshs | Kshs |
| As at 30th June 2024 (Cash Basis) | 4,637,778,259 | | 4,637,778,259 |
| Assets Adjustment | (208,830,846) | 10,678,315,717 | 10,469,484,871 |
| As at 1st July 2024 | 4,428,947,413 | 10,678,315,717 | 15,107,263,130 |
| Additions | 378,317,035 | 88,977,985 | 467,295,020 |
| As at 30th June 2025 | 4,807,264,448 | 10,767,293,702 | 15,574,558,150 |

**The assets adjustment of Kshs. (208,830,846) relates to the accumulated use of goods expenditure*

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


The financial statements were approved on 26/11/2025 2025 and signed by:



Chief Executive Officer
Eng. Charles Muasya, MBS



Project Manager
Eng. Stephen Mutinda



Project Accountant
CPA. Leah Muoria
ICPAK Member Number: 10230

*Mwea Irrigation Development Project
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10. Statement of Cashflow for the year ended 30th June 2025

| Description | Note | 30 th June 2025 |
|---|-----------|----------------------------|
| | | Kshs |
| Cashflow from operating activities | | |
| Receipts | | |
| Revenue Transfers | | 400,000,000 |
| Misc Income | | 243,829 |
| Total receipts | | 400,243,829 |
| | | |
| Payments | | |
| Employee costs | | (655,345) |
| Use of goods and services | | (21,271,449) |
| Total payments | | (21,926,794) |
| | | - |
| Net cash flow from operating activities | 14 | 378,317,035 |
| | | |
| Cashflow from investing activities | | |
| Acquisition of non-financial assets | | (802,983,664) |
| Net cash flows from investing activities | | (802,983,664) |
| | | |
| Cash flow from financing activities | | |
| JICA-NIPPON | | 88,977,985 |
| Net cash flow from financing activities | | 88,977,985 |
| Net increase/Decrease in cash and cash equivalents | | (335,688,644) |
| Cash and cash equivalent at 1st July 2024 | 10 | 337,872,662 |
| Cash and cash equivalent at end June 2025 | 10 | 2,184,018 |

**Acquisition of non-financial assets comprises of, civil works Kshs. 237,154,896 plus Kshs. 565,828,768 for works which had initially not been capitalized.*

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

| Receipts/Payments Item | Original Budget | Adjustments | Final Budget | Actual on Comparable Basis | Budget Utilization Difference | % of Utilization |
|-------------------------------|------------------------|--------------------|---------------------|-----------------------------------|--------------------------------------|-------------------------|
| | a | b | c=a+b | d | e=c-d | f=d/c % |
| | Kshs | Kshs | Kshs | Kshs | Kshs | |
| Revenue | | | | | | |
| Revenue Transfers | 591,750,000 | (2,750,000) | 589,000,000 | 488,977,985 | 100,022,015 | 83% |
| Miscellaneous Revenue | - | - | - | 243,829 | (243,829) | 0% |
| Total Revenue | 591,750,000 | (2,750,000) | 589,000,000 | 489,221,814 | 99,778,186 | |
| Payments | | | | | | |
| Employee costs | 700,000 | - | 700,000 | 655,345 | 44,655 | 94% |
| Use of goods and services | 121,300,000 | - | 121,300,000 | 21,271,449 | 100,028,551 | 18% |
| Certified Works | 469,750,000 | (2,750,000) | 467,000,000 | 802,983,664 | (335,983,664) | 172% |
| Total Payments | 591,750,000 | (2,750,000) | 589,000,000 | 824,910,458 | 329,915,307 | |
| Surplus or Deficit | | | | (335,688,644) | | |

* Included in the Kshs 802,983,664, is the figure of Kshs. 565,828,768 for works which had initially not been capitalized

Note: The variance is due to the difference between the budget & certified works as payments are done for certified works only

Adjustments are as per Supplementary II

12. Notes to the Financial Statements

1. General Information

The project is under the supervision of the Ministry of Water Sanitation & Irrigation.

The strategic goals of the project are as:

- (i) Increase rice production in MIS, Thus, increasing food security in Kenya
- (ii) Increase the acreage under rice production in MIS.

The project management aims to achieve the goals through the following means:

- (i) Construction of Thiba dam which has been completed and its appurtenant structures
- (ii) Expansion of irrigation area.

The project was formed to intervene in the following areas:

- (i) Frequent water shortages occasioned by unreliable rainfall thus, leading to low rice yields per acre.
- (ii) Land lying fallow during short rain season – the farmers will move from one cropping season to two cropping seasons per year.
Expansion of acreage under production.

2. Statement of Compliance and Basis of Preparation

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

Guiding note during the transition period:

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

These financial statements were authorized for issue by the accounting officer on 30th August 2025

3. Adoption of New and Revised Standards

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

| Standard | Effective date and impact: |
|-----------------|---|
| IPSAS 43 | <i>Applicable 1st January 2025</i> |

Mwea Irrigation Development Project

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| Standard | Effective date and impact: |
|--|---|
| | <p>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.</p> <p><i>The standard has no direct impact on the project</i></p> |
| <p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p> | <p><i>Applicable 1st January 2025</i></p> <p>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.</p> <p><i>The standard has no direct impact on the project</i></p> |
| <p>IPSAS 45- Property Plant and Equipment</p> | <p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p><i>The standard has no direct impact on the project</i></p> |
| <p>IPSAS 46 Measurement</p> | <p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> |

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| Standard | Effective date and impact: |
|----------|--|
| | <p>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</p> <p>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</p> <p>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</p> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>The standard has no direct impact on the project</i></p> |

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

| Standard | Effective date and impact: |
|-----------------------------------|---|
| IPSAS 47- Revenue | <p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>The standard has no direct impact on the project</i></p> |
| IPSAS 48- Transfer Expenses | <p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer</p> |

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| Standard | Effective date and impact: |
|--|---|
| | expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers. <i>The standard has no direct impact on the project</i> |
| IPSAS 49- Retirement Benefit Plans | <i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan. <i>The standard has no direct impact on the project</i> |

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2024/2025 was approved by the Board on January 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the

Mwea Irrigation Development Project

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original budget by the entity upon receiving the respective approvals to conclude the final budget. Accordingly, the entity did not record additional appropriations. 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 cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 5 under section Statement of Comparison of Budget and Actual Amounts of these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the item of property appropriately according to the acronyms you use in your financial statements plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the

carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future

minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability 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

Mwea Irrigation Development Project

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no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

e) Intangible assets

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

f) Research and development costs

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

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

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

g) Financial instruments

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

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or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification

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

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

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

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

Fair value through net assets/ equity

Mwea Irrigation Development Project

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

h) Inventories

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

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

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

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

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

i) Provisions

Provisions are recognized when the project has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the project 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 project 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 Project does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the project in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or

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service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

j) Nature and purpose of reserves

MIDP creates and maintains reserves in terms of specific requirements

k) Changes in accounting policies and estimates

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

l) Employee benefits

Retirement benefit plans

MIDP provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient

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

m) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

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n) Borrowing costs

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

o) Related parties

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

p) Service concession arrangements

The MIDP 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, *MIDP* 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, *MIDP* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

q) Cash and cash equivalents

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

r) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. MIDP 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 MIDP. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

Notes to the financial statements (Continued)

Provisions

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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.

6. Revenue Transfers

| Description | FY 2024/25 |
|-------------------------------------|--------------------|
| | KShs |
| Unconditional Transfers | |
| GoK Counter Part funding | 400,000,000 |
| Total Transfers for the Year | 400,000,000 |

6 (a) Details to Revenue Transfers

| Name of The Entity Transferring | Amount recognized to Statement of Financial performance | Total transfers (FY 24/25) |
|--|--|-----------------------------------|
| | Kshs | Kshs |
| GOK Funding | 400,000,000 | 400,000,000 |
| Total | 400,000,000 | 400,000,000 |

7. Miscellaneous revenue

| Description | FY 2024/25 |
|--------------------|-------------------|
| | Kshs |
| Interest Income | 243,829 |
| Total | 243,829 |

**These refers to Interest earned from NCBA Bank account(Donor project account)*

8. Employees Costs

| Description | FY 2024/25 |
|---|-------------------|
| | Kshs |
| Basic salaries of permanent employees | 136,600 |
| Basic wages of temporary employees | 456,707 |
| Personal allowances paid as part of salary | 38,448 |
| Compulsory national social security schemes | 19,070 |
| Affordable Housing Levy | 4,520 |
| Total | 655,345 |

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9. Use of Goods and Services

| Description | FY 2024/25 |
|---|-------------------|
| | <u>Kshs</u> |
| Utilities, supplies and services | 1,290,373 |
| Bank charges | 62,912 |
| Communication, supplies and services | 68,000 |
| Domestic travel and subsistence | 3,292,900 |
| Fuel and lubricants | 78,000 |
| Stationery, Printing, advertising, and information supplies | 233,669 |
| Hospitality supplies and services | 270,595 |
| Specialized materials and services | 55,000 |
| Other operating payments(Consultancy) | 15,920,000 |
| Total | 21,271,449 |

10. Cash and Cash Equivalents

| | 30th June 2025 | 1st July |
|--|------------------|--------------------|
| | <u>Kshs</u> | <u>Kshs</u> |
| NCBA A/C NO.1000584588 | 1,813,450 | 1,607,148 |
| Equity Project A/C No. 1510284335969 | 370,568 | 336,265,514 |
| Total Cash and Cash Equivalents | 2,184,018 | 337,872,662 |

10 (a) Project Bank Accounts

| Details | 30 th June 2025 | 1 st July 2024 |
|--------------------------------------|----------------------------|---------------------------|
| | <u>Kshs</u> | <u>Kshs</u> |
| NCBA A/C NO.1000584588 | 1,813,450 | 1,607,148 |
| Equity Project A/C No. 1510284335969 | 370,568 | 336,265,514 |
| Total bank account balances | 2,184,018 | 337,872,662 |

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11. Property, Plant and Equipment

| Cost | Capital | | Total |
|--|------------------|--|----------------|
| | Work in progress | | |
| | Kshs | | Kshs |
| As At 1 st July 2024 (opening balances) | 14,857,710,819 | | 14,857,710,819 |
| Additions | 846,573,396 | | 846,573,396 |
| As at 30 th June 2025 | 15,704,284,215 | | 15,704,284,215 |
| Net Book Values | | | |
| As at 1 st July 2024 | 14,857,710,819 | | 14,857,710,819 |
| As at 30 th June 2025 | 15,704,284,215 | | 15,704,284,215 |

****Property, Plant and Equipment Breakdown***

| ITEM | AMOUNT (KSHS) |
|---|-----------------------|
| Cash basis WIP Closing Balance for FY 2023-24 | 14,978,221,314 |
| Add: Total liabilities as at 1 st July 2024 | 88,320,351 |
| Less: Use of Goods | (208,830,846) |
| Accrual Basis WIP Closing Balance for FY 2023-24 | 14,857,710,819 |
| Construction of civil works | 855,488,462 |
| LESS: Payables as at June 2024 Paid during the FY 2024-2025 | (8,915,066) |
| TOTAL | 15,704,284,215 |

12. Trade and Other Payables

| Description | 30th June 2025 | | 1 st July 2024 | |
|--|-------------------|-----------------------|---------------------------|-----------------------|
| | Kshs | | Kshs | |
| Trade payables | 72,894,292 | | 37,637,532 | |
| Total deposits | 72,894,292 | | 37,637,532 | |
| | | | | |
| | | | | |
| | | | | |
| Ageing analysis: (Trade and other payables) | FY 24/25 | % of the Total | FY 23/24 | % of the Total |
| Under one year | 44,171,826 | 61% | - | |
| 1-2 years | 28,722,466 | 39% | 37,637,532 | 100% |
| Total | 72,894,292 | 100% | 37,637,532 | |

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13. Third-Party Deposits

| Description | 30 th June 2025 | | 1 st July 2024 | |
|---|----------------------------|-----------------------|---------------------------|-----------------------|
| | Kshs | | Kshs | |
| Contractor's Retention | 59,015,791 | | 50,682,819 | |
| Total deposits | 59,015,791 | | 50,682,819 | |
| | | | | |
| Ageing analysis: (Refundable deposits) | FY 2024/25 | % of the Total | FY 2023/24 | % of the Total |
| Under one year | 7,672,053 | 13% | 50,682,819 | 100% |
| 1-2 years | 51,343,738 | 87% | - | |
| Total | 59,015,791 | 100% | 50,682,819 | 100% |

14. Cash Generated from Operations

| Description | FY 2024/25 |
|---|-------------|
| | Kshs |
| Surplus/Deficit for the year | 378,317,035 |
| Net cash flow from operating activities | 378,317,035 |

15. Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

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

16. Events after the Reporting Period

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

17. Ultimate And Holding Entity

MIDP is a project under the Ministry of Water, Sanitation & Irrigation

18. Currency

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

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13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | 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>Emphasis of Matter</p> | <p>1. Budgetary Control and Performance The statement of comparative budget and actual amounts reflects final budget and actual on a comparable basis of Kshs.2,039,000,000 and Kshs.1,638,939,953 respectively resulting to an underfunding of Kshs.400,060,047 or 20% of the budget. Similarly, the Project spent Kshs.1,406,457,893 against actual receipts of Kshs.2,039,000,000 resulting to underutilization of Kshs.632,542,107 or 31% of actual receipts. The underfunding and under-utilization may affect the planned activities and negatively impact service delivery to the Mwea Irrigation Settlement Scheme farmers.</p> | <p>The utilization of the funds is dependent on the Payment certificates submitted by the Contractors and the Consultant. The farmers in Mwea Irrigation Project are currently benefiting from the Thiba Dam constructed under the Project and have already</p> | <p>Eng. Stephen Mutinda - Project Manager</p> | <p>Resolved</p> | |

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| | | | | | |
|-----------------------------------|--|--|--|----------|--|
| | | started cropping two seasons in a year. | | | |
| | <p>6 Slow Absorption of Project Funds As disclosed under Note 2.7 on the project information and overall performance, the Project was earmarked to close in December, 2023 but was restructured through an amended Loan Agreement extending the completion to 13 December, 2025. Further, the</p> <p>2 Projects' funding summary indicates that JICA Fund had made commitment amounting to Kshs.10,890,909,091 equivalent of JPY.13,178,000,000 as at 30 June, 2024. However, actual drawdowns during the Project life amounted to Kshs.10,678,315,717 equivalent to JPY.12,290,762,018 leaving out an amount totalling Kshs.21,593,374 or JPY.257,237,982 undrawn with one (1) year to the project end date and subsequent final disbursement period for the loan. Management has indicated that planned initiatives will be fully implemented and allocated funds fully utilized before closure of the Project. However, considering the credit lapse period, the Project's planned deliverables earmarked for completion may not be realized. My opinion is not modified in respect of these matters</p> | <p>The utilization of the funds is dependent on the Payment certificates submitted by the Contractors and the Consultant. The farmers in Mwea Irrigation Project are currently benefiting from the Thiba Dam constructed under the Project and have already started cropping two seasons in a year</p> | Eng. Stephen Mutinda - Project Manager | Resolved | |
| Report on Lawfulness & | <p>1.Avoidable Interest on Delayed Payment The statement of receipts and payments and as disclosed in Note 6 to the financial statements reflects acquisition of non-financial</p> | The amounts on interest on delayed | | Resolved | |

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| | | | | | |
|--|--|---|---|-----------------|--|
| <p>effectiveness in the use of public resources</p> | <p>assets amounting to Kshs.856,824,318. Included in this amount is construction of civil works of Kshs.819,516,060 out of which review of Interim Certificate No.37 revealed that an amount of Kshs.265,827,608.32 had been certified for payment to a firm contracted for the construction of Thiba dam. This amount further includes an accumulated interest of Kshs.43,122,375 paid due to penalty on late payment. The costs are avoidable and are attributed to delay in honoring payments when due by the Project Management. In the circumstances, value for money amounting to Kshs.43,122,375 could not be confirmed</p> | <p>payment was occasioned by the inadequate budget allocation from the National Treasury in Financial year 2019/2020 which led to the contractor suspending the works.</p> | | | |
| | <p>2.Slow Implementation of the Project The Authority entered into a contract under Lot 1 contract No. NIA/T/087/2020/2021 for the construction and civil works for irrigation facilities with a local contractor at a contract sum of Kshs.851,961,000. The construction commenced on 22 March, 2021 and was expected to end on 03 October, 2023. However, the latest monthly progress report No.41 (of September, 2024) indicated that the completion status of the project was at 42.32% against a planned target of 88.11%. This was confirmed during physical inspection in the month of October, 2024. Although the project completion date was extended to 15 September, 2024, the slow implementation casts doubt on timely completion of the project. In addition, Lot 2, under contract No. NIA/T/088/2020/2021 which involves civil works of drainage facilities and other works, was awarded to a local contractor at contract a sum of Kshs.648,789,983. The works commenced on 22 March, 2021 and were expected to be completed by 04 October, 2023. However,</p> | <p>The slow implementation has been occasion by the floods which occurred in the Mwea Irrigation Scheme in the long rains of March to May 2024. This slowed down the works.</p> | <p>Eng. Stephen Mutinda - Project Manager</p> | <p>Resolved</p> | |

Mwea Irrigation Development Project

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| | | | | | |
|--|---|--|---|-----------------|--|
| | <p>the latest monthly progress report No.42 (of September, 2024) indicated that the completion status of the project was at 72.49% against a planned target of 90.97%. This was confirmed during physical inspection in the month of October, 2024. Although the project completion date was extended to 12 September, 2024, the slow implementation casts doubt on timely completion of the Project.</p> <p>In the circumstances, the Project may fail to be completed on time casting doubt on whether the Mwea Irrigation Settlement Scheme farmers will obtain value for money</p> | | | | |
| | <p>3.Unauthorized Reallocation of Funds</p> <p>The statement of financial assets and liabilities reflects a bank balance of Kshs.337,872,662 which, as disclosed in Note 11 to the financial statements, includes an amount of Kshs.204,116,010 that relates to bank balance for Mwea Irrigation Development Project. The bank account balances relate to National Irrigation Authority (NIA) main development account which comprises of all bank balances for development programmes within the Authority. As previously reported, the Project did not have a separate bank account for the period between July, 2023 to March, 2024 and hence utilized NIA main development bank account for receipt of GoK counterpart funding for the Project. However, audit examination revealed an amount of Kshs.204,116,010 equivalents to the bank balance for the Project was reallocated and utilized for other development programmes without The National Treasury authorization as required by Section 43(2) of the Public Finance Management Act, 2012. In the circumstances, Management was in breach of the law. The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards 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</p> | <p>The figure of Kshs. 204,116,010 was not reallocated from the project funds to be utilized in support of payments of other programmes as there were no outstanding certificates for settlement at the time. The action was taken so as to defray legal issues from the long outstanding payables. This money will be</p> | <p>Eng. Stephen Mutinda - Project Manager</p> | <p>Resolved</p> | |

***Mwea Irrigation Development Project
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| | | | | | |
|--|---|--|--|--|--|
| | <p>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.</p> | <p>refunded within the current financial year once NIA receives its exchequer.</p> | | | |
|--|---|--|--|--|--|



Chief Executive Officer
Eng. Charles Muasya, MBS



Project Manager
Eng. Stephen Mutinda

***Mwea Irrigation Development Project
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Annex 2: Reconciliation of inter-entity transfers

| Project Name: | | | |
|--|---------------------------------------|----------------------------|--|
| Break down of transfers from the State Department of Irrigation | | | |
| a. | Government Counterpart Funding | | |
| | | <u>Bank Statement Date</u> | <u>Amount (Kshs)</u> |
| | | | <u>Indicate the FY to which the amounts relate</u> |
| | RC288994 – Quarter 1 | 28-08-2024 | 150,000,000 |
| | RC293019 - Quarter 2 | 18-11-2024 | 150,000,000 |
| | RC300666 - Quarter 3 | 09-05-2025 | 50,000,000 |
| | RC305892- Quarter 4 | 11-06-2025 | 50,000,000 |
| | | Total | 400,000,000 |
| b. | Direct Payments | | |
| | | <u>Bank Statement Date</u> | <u>Amount (Kshs)</u> |
| | | | <u>Indicate the FY to which the amounts relate</u> |
| | JICA Payment to Nippon Koei | 25/11/2024 | 88,977,985 |
| | | Total | 88,977,985 |
| c. | Others | | |
| | | <u>Bank Statement Date</u> | <u>Amount (Kshs)</u> |
| | | | <u>Indicate the FY to which the amounts relate</u> |
| | Miscellaneous Receipts | 30-06-2025 | 243,829 |
| | | Total | 489,221,814 |



Chief Executive Officer
Eng. Charles Muasya, MBS



Project Manager
Eng. Stephen Mutinda



Project Accountant
CPA. Leah Muoria
ICPAK Member Number: 10230

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Annex 3: Fixed Asset Register

| Asset class | Historical Cost b/f (Kshs) Previous Year | Additions during the year (Kshs) | Disposals during the year (Kshs) | Transfers in/(out) during the year | Historical Cost c/f (Kshs) Current Year |
|--------------------|---|---|---|---|--|
| Work in Progress | 14,857,710,819 | 846,573,396 | | | 15,704,284,215 |
| Total | 14,857,710,819 | 846,573,396 | | | 15,704,284,215 |

**The figure of kshs. 15,704,284,215 relates to Certified Irrigation Works as at 30th June 2025*