

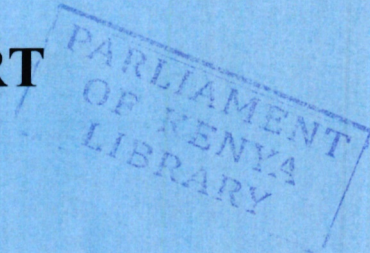


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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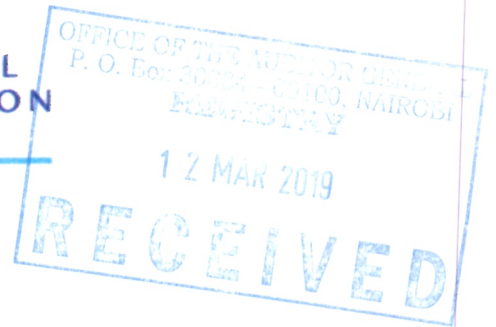
THE AUDITOR-GENERAL

ON

FINANCIAL STATEMENTS OF
NATIONAL IRRIGATION BOARD

FOR THE YEAR ENDED
30 JUNE 2018





NATIONAL IRRIGATION BOARD

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

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**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The National Irrigation Board (NIB) was established and incorporated in 1966 as a state corporation under the Irrigation Act, Cap 347 of the Laws of Kenya. National Irrigation Board is domicile in Kenya. The object of the Act is “to provide for the development, control and improvement of irrigation schemes, for purposes incidental thereto and connected therewith”.

NIB is currently managing seven national irrigation schemes namely, Mwea, Perkerra, Hola, Ahero, West Kano, Bunyala and Bura. In these schemes, NIB undertakes the development, operation and maintenance of irrigation infrastructure through which it conveys irrigation water to the crop land. NIB conducts operational research and has demonstration farms in its research stations including Mwea Irrigation Agricultural Development Centre (MIAD), Ahero Irrigation Research Station (AIRS), Hola Irrigation Research Station (HIRS) and Bura Irrigation Research Station (BIRS). NIB also owns Mwea Rice Mills (MRM) and Western Kenya Rice Mills (WKRM) as its subsidiary companies which serve as processing plants for milling and packaging rice bought from farmers in the respective schemes. Under the expanded national irrigation programme (ENIP), NIB is undertaking new development as well as rehabilitation of irrigation projects currently numbering about 169 spread all over the country.

The Government through NIB has embarked on the actualization of the one million acre irrigation project called the Galana- Kulalu Food Security Project in Tana River and Kilifi Counties. The current total acreage of area under irrigation in the country is four hundred and twenty five thousand (425,000) acres. At cabinet level, the National Irrigation Board is represented by the Cabinet Secretary for Water and Irrigation who is responsible for the general policy and strategic direction of the National Irrigation Board.

(b) Principal Activities

The principal activity of the National Irrigation Board is to provide water for sustainable farming through development, rehabilitation, modernization and promotion of irrigation and drainage for improved livelihoods, food security and economic growth in Kenya.

(c) Key Management

The National Irrigation Board’s day-to-day management is under the following key organs:

- Board of directors
- Chief executive officer/ General Manager
- Senior Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

Mr.Gitonga Mugambi
CEO/General Manager
National Irrigation Board
P.O BOX 30372, 00100
NAIROBI

Eng.Charles Koske
Deputy General Manager – (Corporate Services)
P.O BOX 30372, 00100
NAIROBI

Eng. Raphael Ogendo
Deputy General Manager – (Engineering Services)
National Irrigation Board
P.O BOX 30372, 00100
NAIROBI

Mr.Daniel M.Atula
Deputy General Manager – (Operations)
National Irrigation Board
P.O BOX 30372, 00100
NAIROBI

Eng. Vincent N.Kabuti
Deputy General Manager – (Research ,Planning & Strategy)
National Irrigation Board
P.O BOX 30372, 00100
NAIROBI

Mr.Kisaka Sakari
Chief Officer Finance
National Irrigation Board
P.O BOX 30372, 00100
NAIROBI

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

Mr.Dennis Banda Aroka
Company Secretary
National Irrigation Board
P.O BOX 30372, 00100
NAIROBI

Miss.Victoria A. Aloo
Ag. Chief Officer, Human Resource and Administration
National Irrigation Board
P.O BOX 30372, 00100
NAIROBI

Miss.Rose Mwende
Principal Internal Auditor
National Irrigation Board
P.O BOX 30372, 00100
NAIROBI

MrsNancy Wambugu
Ag. Chief Officer, ICT
National Irrigation Board
P.O BOX 30372, 00100
NAIROBI

NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

(a) Fiduciary Oversight Arrangements

Finance committee ensures

- Rules and Government policies are observed in all transactions
- Monies are used for the intended purpose
- Financial activities undertaken are on schedule
- Finances are received on time

Audit committee:

- Audit all activities and transactions
- Discuss audit reports
- Propose and recommend remedial measures

Research Planning and Development Committee

- Discuss development activities for all projects
- Discuss budgets for all projects

Human Resource and General Purpose

- All staffing activities are done according to rules and regulations
- All other matters affecting activities of the institution

(b) National Irrigation Board Headquarters

National Irrigation Board
Unyunyizi House
Lenana Road

(c) National Irrigation Board Contacts

P.O Box 30372, 00100
NAIROBI, KENYA
Tel. No.; +254 722321653, +254 0202711380, 2711468,
Fax; +254 020 2722821, 2711347
Website: www.nib.or.ke
Email; enquiries@nib.or.ke, communication@nib.or.ke

(d) National Irrigation Board Bankers

Co-operative Bank of Kenya Ltd
Nairobi Business Centre Branch.
P.O. Box 19555-00202
Nairobi, Kenya

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

Equity Bank Kenya Limited
Equity Centre, Hospital Road, Upper Hill
P.O. Box 75104-00200
Nairobi, Kenya

Kenya Commercial Bank Group Limited
Kencom House 6th Floor Moi Avenue
P.O. Box 48400-00100
Nairobi, Kenya

NIC Bank
ICEA Lion Centre
P.O. Box 45599-00100
Nairobi, Kenya

Barclays Bank
Queensway House
Nairobi, Kenya

(e) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(f) Principal Legal Adviser




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

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

THE BOARD OF DIRECTORS

 <p>Mr. Mudzo Nzili</p>	<p>MR. MUDZO K. NZILI- CHAIRMAN</p> <p>Mr. Mudzo Nzili was appointed as the Chairman of the Board on 5th June, 2018. He holds Masters in Business Administration Degree from Kenya Methodist University (KEMU), Nairobi Campus; Bachelor in Travel and Tourism Management (First Class Honours), KEMU, Nairobi Campus; Diploma in Tourism and Business Studies. He has gained a wide range of experience by working in various capacities of leadership positions such as; vice Chairperson NHIF, acting Chairperson NHIF, National Chairman KNUT, Assistant Deputy Secretary General of Kenya National Union of Teachers, Assistant Secretary General, Kenya National Union of Teachers.</p>
 <p>Mr. Gitonga Mugambi</p>	<p>MR.GITONGA MUGAMBI GENERAL MANAGER/CEO</p> <p>Mr. Gitonga Mugambi was appointed the General Manager of National Irrigation Board on 1st August 2017. He holds Bachelor of Science degree in Agriculture from University of Nairobi and MBA in Strategic Management from Kenya Methodist University. Mr Gitonga Mugambi is a well accomplished agriculturist with experience of over 25 years in Planning and Strategy, Resource Mobilization, Formulation of irrigation development programmes such as Economic Stimulus Programme. His experience is valuable in policy formulation, implementation and management of National Irrigation Board.</p>


**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

 <p>Eng. Japhet K. Rutere</p>	<p>ENG. JAPHET KABURU RUTERE</p> <p>Eng. Japhet K. Rutere was appointed to the Board on 17th April, 2015. He is a holder of B.Sc. Civil Engineering from University of Nairobi. He is currently doing masters in engineering. He is a licensed Qualified Water Resource Engineer, Water Act 2002 (Large dams)(LWRE) He is a Kenya registered and UK (ICE) Chartered Engineer. He has experience on Integrated Water Resources Management. He has been providing consultancy, technical assistance, audits, monitoring and evaluation services to national and international clientele since 1994.</p>
 <p>Mr. Kambaki P. Lalaikipiani</p>	<p>MR. KAMBAKI PAUL LALAIKIPIANI</p> <p>Kambaki Paul Lalaikipiani was appointed to the Board on 31st May 2016. He is a holder of Bsc. (Agribusiness Management) from Egerton University. He also holds BA (Hons) in Development Studies from University of South Africa. He is currently doing MA in Monitoring and Evaluation at Maseno University. He has experience in Cordination and Intergration. He served in Management positions with World Vision.)</p>
 <p>Ms. Beatrice Mbingi</p>	<p>MS. BEATRICE MBINGI</p> <p>Beatrice Mbingi was appointed to the Board on 31st May 2016. She is a holder of Diploma in Business Administration from Kenya Institute of Management. She has experience in leadership, team and practical skills. She served as Vice Chair Lady as well as Executive Member of Maendeleo Ya Wanawake.</p>

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

 <p>Hon. Zainab Chidzuga</p>	<p>HON. ZAINAB CHIDZUGA</p> <p>Hon. Zainab was appointed to the Board on 5th June, 2018. She is a holder of Diploma in Community Development and Social Work from Mount Kenya University and British Council. She has gained work and leadership experience in various capacities. She was the first Honourable Member of the Kenya National Assembly as Kwale County Woman Representative, director Coast Water Service Board, Chairperson Kwale Health Management Board and member of Kwale Environment Committee</p>
 <p>Hon. Grace Kiptui</p>	<p>HON. GRACE JEMUTAI KIPTUI</p> <p>Hon. Grace Jemutai Kiptui was appointed as a member of the Board on 5th June, 2018. She is a holder of LLB Degree from University of Nairobi and Post Graduate Diploma in Law from Kenya School of Law. She has wealth of experience having served at Kenya Posts Telecommunications Corporation, she also served as the Honorary Legal Adviser at the Kenya Girl Guide Association, worked as Litigation Counsel at the Attorney General's Chambers and was the first Honourable Member of the Kenya National Assembly as Baringo County Woman Representative. She is an Advocate of the High Court of Kenya and currently practices law in the name of Kiptui Kipkemei & Co Advocates</p>
 <p>Arch. Francis M. Gichuhi</p>	<p>ARCH. FRANCIS M. GICHUHI</p> <p>Arch. Francis M. Gichui was appointed to the Board on 5th June, 2018. He holds a Master of Science (Msc) and Construction Project Management from Birmingham City University, United Kingdom and Bachelor of Architecture from University of Nairobi. He is the Founder, Managing Director and Principal Architect of Habitech Consultants. Francis has worked as a project manager for various projects that has enabled him gather experience in management.</p>

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

 <p>Mr. Charles Kairu</p>	<p>MR. CHARLES KAIRU – ALTERNATE TO CABINET SECRETARY, MINISTRY OF FINANCE</p> <p>Mr. Charles Kairu was appointed to the Board on 14th October, 2015 as alternate Director to the Cabinet Secretary, National Treasury. He is holder of a Master Degree in Development Economics from Williams College, USA and a Bachelor’s Degree in Economics from the University of Nairobi. He has over 30 years’ experience in the Public Service and is currently serving as Senior Assistant Director in the Public Debt Management Office at the National Treasury.</p>
 <p>Rtd. Cap. Stanley O. Ntutu</p>	<p>RTD. CAPT. STANLEY O. NTUTU</p> <p>Rtd Capt. Stanley Ntutu was appointed as a Member of the Board on 5th June, 2018. He is a retired Kenya Airways captain with over 20 years flying experience. He has served as the Commanding Captain on the SAAB 340 with Kenya Airways and first officer on the Boeing 737-300 flying the African Routes. Previously he was captain on the PA 34/ PA 23, Cessna 206/210/310 and Cessna 402 flying both passenger and cargo loads. He has undergone various training like Flight Safety Training, Dangerous Goods Training and Customer Relationship Management Training at Kenya Airways Pride Training Centre, Airline Transport Pilot License at Kenya Civil Aviation Authority, Commercial Pilot License at Qualiflight Training Inc. USA and Private Pilot License at Equator Flying School.</p>
 <p>Ms. Wambui Nyutu</p>	<p>MS. WAMBUI NYUTU</p> <p>Ms. Wambui Nyutu was appointed as a Board Member on 5th June, 2018. She holds a Bachelor of Law degree from the University of Nairobi. She is a change agent and has participated in various forums geared towards youth and women empowerment. She has served as a volunteer at Ahadi Kenya Trust, Legal Affairs Director at the Kenya Universities Female Students Association and currently legal officer at Phtuma Agencies.</p>

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**



Ms.Christine K. Ileli

MS.CHRISTINE K. ILELI - ALTERNATE TO ATTORNEY GENERAL

Ms. Christine K. Ileli was appointed as a Board Member on 9th January 2017. She holds a Masters Degree in Law (LLM) from the University of Nairobi, Bachelor Degree in Law (LL.B.), a postgraduate diploma in law, Kenya School of Law. She is an advocate of the High Court of Kenya and has over 9 years' experience in the public service and is currently serving as a Principal State Counsel in the Government Transactions Division at the State Law Office.



Mr.David Bosuben

MR.DAVID BOSUBEN, ALTERNATE, DIRECTOR OF WATER.

Mr.Bosuben was appointed to the Board on 28th June 2018. He holds a Master of Science degree in Water Management from UNESCO-IHE, the Netherlands, Post Graduate Diploma in Shared Water Resources from Cairo University, Arab Republic of Egypt and Bachelor of Science degree in Geology, University of Nairobi. He is currently the Deputy Director of Transboundary Water Resources at the Ministry of Water and Sanitation, based at the Ministry Headquarters, Nairobi. He is a Member of National Steering Committee responsible for operationalizing the New Water Act 2016 and finalising the Water Policy 2018. He has also previously served as a member of the Intergovernmental Reforms Committee, member of a task Force and Hydrology expert to Lake Victoria Basin Commission; Head of surface water, Uasin Gishu District and Water Officer, Marakwet District.



Mr. Stephen Ikua

STEPHEN IKUA, REPRESENTATIVE OF THE PRINCIPAL SECRETARY, STATE DEPARTMENT OF IRRIGATION, MINISTRY OF AGRICULTURE LIVESTOCK FISHERIES AND IRRIGATION.

Mr. Stephen Ikua is the Irrigation Secretary Ministry of Agriculture, Livestock, Fisheries and Irrigation and represents the Principal Secretary, State Department of Irrigation in the Board.

He holds a Bachelors of Arts Degree from University of Nairobi and Masters in Business Administration, Strategic Studies from Moi University. He has also attended a number of local and overseas courses.

He has served the Public Service in various capacities from a District Office, District Commissioner, and County Commissioner. His experience in Public Service spans 30 years.

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**



FCS. Dennis Banda Aroka

DENNIS BANDA AROKA COMPANY SECRETARY

Dennis Banda Aroka is the Company Secretary of National Irrigation Board. Prior to joining the Board in 2012, he had practised as a consultant Company Secretary and held other similar positions for over 20 years. He holds an Executive MBA from Moi University. He also holds LLB (Hons) from Catholic University of East Africa. He is a fellow member of the Institute of Certified Public Secretaries of Kenya and has served as a council member of the same institute.

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

MANAGEMENT TEAM

 <p>Mr. Gitonga Mugambi</p>	<p>MR.GITONGA MUGAMBI GENERAL MANAGER/CEO</p> <p>Mr. Gitonga Mugambi was appointed the General Manager of National Irrigation Board on 1st August 2017.He holds Bachelor of Science degree in Agriculture from University of Nairobi and holds an MBA in Strategic Management from Kenya Methodist University. Mr Gitonga Mugambi is a well accomplished agriculturist with experience of over 25 years in Planning and Strategy, Resource Mobilization, Formulation of irrigation development programmes such as Economic Stimulus Programme. His experience is valuable in policy formulation, implementation and management of National Irrigation Board.</p>
 <p>Mr.Daniel Atula Masatia</p>	<p>M MR. DANIEL ATULA MASATIA - DEPUTY GENERAL MANAGER - OPERATION AND IRRIGATION MANAGEMENT SERVICES.</p> <p>Mr. Daniel Atula Masatia was appointed to the post of Deputy General Manager Operations of National Irrigation Board on 1st February, 2018. He holds Bachelor of Science degree in Agriculture from University of Nairobi and is currently pursuing his MBA in Strategic Management. Mr Daniel Masatia is a well accomplished agriculturalist and manager with experience of over 25 years in scheme, projects and research operations, planning and Strategy formulation and implementation, Resource Mobilization, Formulation and execution of irrigation programmes ranging from development to operations. His experience and expertise is valuable in policy formulation and in the provision of irrigation services.</p>

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**



Mr. Charles C. Koske

**MR. CHARLES C. KOSKE - DEPUTY GENERAL
MANAGER CORPORATE SERVICES**

Mr. Charles K. Koske was appointed the Deputy General Manager of National Irrigation Board on 17th July 2008. He is a holder of B.Sc. Agricultural Engineering from University of Nairobi as well as M.Sc. Soil and Water Engineering from The Cranfield Institute of Technology in Bedfordshire, UK.

Mr. Koske is a well accomplished Engineer having gathered experience of over 30 years' in engineering. Prior to his appointment as Deputy General Manager of National Irrigation Board, Mr. Koske was the Director for Drainage and Irrigation. He was the CEO of National Water and Pipeline Corporation from 1997 to 1998 and the CEO of Ewaso Nyiro South Development Authority from 1999 to 2002. He held various senior positions in the water sector which offered him exposure to numerous assignments.



Eng. Raphael Ogendo

**ENG. RAPHAEL OGENDO - DEPUTY GENERAL
MANAGER ENGINEERING SERVICES**

Eng. Raphael Ogendo was appointed the Deputy General Manager (Engineering Services) on 13th August 2015. He is a holder of B.Sc. Agricultural Engineering from Egerton University and currently pursuing a M.Sc. in Agricultural and Rural Development at Kenya Methodist University (KeMU). He also holds a diploma in Agricultural Engineering (Farm power and machinery) from Egerton University.

Eng. Ogendo is a well accomplished Engineer having gathered experience of over 30 years in Engineering. Prior to his appointment as Deputy General Manager of National Irrigation Board, He was a long serving Provincial Irrigation Engineer in the former Rift Valley Province and briefly served as the Chief Engineer (Construction) in the Board's Western Kenya Region.

He is a registered Engineer with Engineer's Registration Board as well as Corporate Member of the Institute of Engineers of Kenya.

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**



Eng. Vincent Kabuti

**ENG. VINCENT KABUTI - DEPUTY GENERAL
MANAGER RESEARCH, PLANNING AND
STRATEGY**

Eng. Vincent Kabuti is the Deputy General Manager (Research, Planning and Strategy) . He holds a Msc. Water Science and Engineering, Hydraulic Engineering, Land and Water Development, Unesco-IHE, Delft, Netherlands and Bsc Civil Engineering, Jomo Kenyatta University of Agriculture and Technology, Kenya. He has 12 years' experience in strategy formulation, strategic planning and budgeting. He also has experience in performance contracting and monitoring and evaluation of irrigation schemes performance and maintenance scheduling and implementation, farmers training and community mobilization



FCS. Dennis Banda Aroka

MR. DENNIS BANDA AROKA

Dennis Banda Aroka is the Company Secretary of National Irrigation Board. Prior to joining the Board in 2012, he had practised as a consultant Company Secretary and held other similar positions for over 20 years. He holds an Executive MBA from Moi University. He also holds LLB (Hons) from Catholic University of East Africa. He is a fellow member of the Institute of Certified Public Secretaries of Kenya and has served as a council member of the same institute.

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

CHAIRMAN'S STATEMENT

NIB is expected to play a leading role in development of 1 million acres under irrigation as espoused in the Kenya Vision 2030. To deliver this target, NIB is implementing the following irrigation development initiatives: -

- i. Galana Kulalu Food Security Project (GKFSP),
- ii. Flagship irrigation projects namely Mwea irrigation development and Bura Irrigation Rehabilitation project
- iii. National Expanded Irrigation Program (ENIP) that comprises of both large scale and smallholder community management projects.
- iv. Rehabilitation, expansion and modernization of public irrigation schemes.

The Government has identified four key strategic areas of focus over the next five years that will accelerate broad based economic growth. This will help transform the lives of all Kenyans. The strategic areas under "The Big Four" Plan include:

- i. Supporting value addition and raise the manufacturing sector's share of GDP to 15 percent by 2022. This will accelerate economic growth, create jobs and reduce poverty;
- ii. Focusing on initiatives that guarantee food security and improve nutrition to all Kenyans by 2022 through expansion of food production and supply, reduction of food prices to ensure affordability and support value addition in the food processing value chain;
- iii. Providing Universal Health Coverage thereby guaranteeing quality and affordable healthcare to all Kenyans; and,
- iv. Providing at least five hundred thousand (500,000) affordable new houses to Kenyans by 2022, hence improve living conditions for Kenyans.

Under Enhancing Food and Nutrition Security to all Kenyans by 2022, the Government will focus on three broad areas in 2018, namely: enhancing large-scale production; boosting smallholder productivity; and reducing the cost of food. Over the next five years, specific initiatives will be implemented across the three broad areas namely enhance largescale production, drive smallholder productivity, and reduce cost of food. Irrigation has been identified as a key driver to realise the objectives. Consequently, NIB has laid emphasis on executing projects that aim at achieving the government priorities. Towards this end, to build on achievements realised to date, NIB proposes to continue implementing the following ongoing programmes as approved during the MTEF process and contained in the budget policy statement: -

- Galana Kulalu Food Security Project Model Farm
- National Expanded Irrigation Programme
- Bura Irrigation Rehabilitation project
- Mwea Irrigation development project
- Rwabura Irrigation Development Project
- Turkana Irrigation Development Programme.

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

- Lower Kuja Irrigation Scheme.
- Lower Sabor Irrigation Project.

In the current year, the production at the 10,000 acres model farm at Galana Kulalu Food Security Project has continued to expand with the construction works at 85%.

The institution also focused on finalization of compensation for the Rukenya dam on the Mwea Irrigation Development Project which was launched by His Excellency the President, Uhuru Kenyatta in November 2017. The contractors for both the dam and the irrigation areas had been engaged and preliminary work had commenced. The project will enhance the availability of water to increase the production of rice in Mwea Irrigation Scheme. On completion, the project will have a significant impact in Mwea by increasing the area under rice crop by approximately 50 percent and support two crops per annum.

The potential of Lotikipi aquifer in Turkana Region is still being considered and a trial borehole is planned to determine the level at which clean water could be tapped as most of the area has saline water. A detailed report on funding proposals to enhance the capacity of the farmers and expand the irrigation projects in the region was in progress.

A number of projects with huge potential continued to be constructed. The Lower Sio Irrigation Project and the Lower Kuja Irrigation Project are both showing progress while Lower Nzoia Irrigation project that would open up a good part of Siaya and Busia Counties was still in its early stages.



.....
MR. MUDZO NZILI

CHAIRMAN

Date..07-3-2019.

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

REPORT OF THE CHIEF EXECUTIVE OFFICER

The overall goal of the National Irrigation Board is best captured by the mission; **“To Provide water for sustainable farming through development, rehabilitation, modernization and promotion of irrigation and drainage for improved livelihoods, food security and economic growth in Kenya”** thus bestowing the responsibility of the lead role in irrigation the development and management in Kenya. Therefore, NIB is expected to play a leading role in development of 1 million acres under irrigation as espoused in the Kenya Vision 2030. To deliver this target, NIB is implementing the following irrigation development initiatives: -

- i. Galana Kulalu Food Security Project (GKFSP),
- ii. Flagship irrigation projects namely Mwea irrigation development and Bura Irrigation Rehabilitation project
- iii. National Expanded Irrigation Program (ENIP) that comprises of both large scale and smallholder community management projects.
- iv. Rehabilitation, expansion and modernization of public irrigation schemes.

- i. Galana Kulalu Food Security Project (GKFSP),

The Government initiated the implementation of the project to enhance food security in the country. The phased implementation of the project comprises of 10,000acre model farm as phase 1, followed by 400,000acre pilot farm as phase II. Phase I is under implementation and entails construction of irrigation infrastructure for 10,000 acres. The components include construction of 2 No. intakes, installation of pipelines, installation of 24 No. centre pivot irrigation systems covering 4,735 acres, installation of drip irrigation systems covering 5,265 acres and production of maize for two seasons. To date, 20 center pivots have been installed covering 3300 acres, pipes for drip irrigation covering 2000 acres installed and construction of 2 pumping stations is complete with 13 pumps supplied whereby 8 have fully been installed. Production has been undertaken on 5,145 acres for the completed area under centre pivots and cumulatively 109,000 (90kgs bags) have been harvested and distributed through State Department for Special Programmes.

- ii. Mwea irrigation development Project

The objective of the project is to improve the reliability of irrigation water and increase area under irrigation and irrigation intensity for Mwea Irrigation scheme financed by JICA and GoK. The component of the project include, construction of the 11MCM Thiba dam, construction of irrigation and drainage facilities in the expansion area (Mutithi section) covering 10,000 acres, procurement works of O&M equipments and resettlement of Project affected Persons (PAP) from the Dam area through community site development. Resettlement has been concluded in the dam site and compensation at the irrigation area is 83% complete for the canals. The construction works by both contractors has commenced. The mobilization and construction of site camps for the dam contract is progressing well while for the irrigation area, site grubbing and stripping has commenced.

NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

iii. Bura Irrigation Rehabilitation Project

The objective of the project is to change the water abstraction technology from diesel driven pumps to gravity intake as well as increase the area under irrigation to 25,000 acres. The project components include construction of diversion facilities at Korakora site, river bank protection works and silting basin; construction and lining of 26km connecting canal with a discharge capacity of 11m³/sec; rehabilitation and lining of 64km existing main canal, secondary irrigation canals and drainage infrastructure and rehabilitation of buildings, domestic water supply and electricity supply.

The Contractor has achieved 3% physical progress which constitutes excavation of diversion works, silting basin and 20km of the new gravity canal. This poor performance is attributed to myriad of issues key among them being inadequate counterpart funding thus delaying payments to the Contractor, the lack of adequate mobilization of staff and equipment by the Contractor and interference by the local community who demanded for compensation before work starts. NIB received information which has been confirmed by IVRCL concerning a public announcement dated the 3rd of March 2018. Consequently, NIB has instituted termination of the contract process as provided in the contract agreement and evoke assignment to allow the existing sub-contractors to continue the execution of the project. The process is ongoing.

iv. National Expanded Irrigation Programme

NIB has made huge strides in irrigation development in Kenya that include Construction of 163 irrigation projects across all the 47 Counties have been completed with cumulative total area of 127,415 acres directly benefiting over 70,000 farmers, rehabilitation, expansion and modernization of public irrigation schemes that has seen the irrigation area increase from 23,326.5 acres to 35,326 acres, Construction of 47 no water pans with a combined volume of 2,600,000m³ in arid areas for domestic, animal consumption and irrigation in greenhouses, Installation of 714 greenhouses complete with drip kits in various parts of the country to act as pilot model projects on efficient irrigation practice benefitting 11,200 women and youth and completed feasibility studies and detailed designs for 38 projects covering 430,000 acres and 11 water storage reservoirs with a cumulative total storage of 1.3 billion m³. The feasibility studies completed present the opportunity for irrigation development in coming days.

Notably, during 2017/18 NIB commenced implementation of the water for household project. These projects targets development of water storage at household levels for irrigation development. The capacities of the targeted water pans range between 1000 to 3000 m³ which can irrigate up to 1 acre. The project started under pilot basis on 12 counties and to date 1,881 water pan have been constructed creating a storage of 2.7 million m³ and putting 3,000 acres under irrigation.

v. Other projects under implementation include

- a) Rwabura irrigation development project financed by the Kingdom of Spain to irrigate 1500 acres,

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

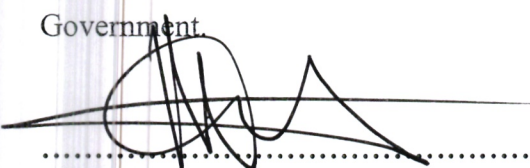
- b) Lower Nzoia Irrigation Project Kenya Water Security Project series, KWSCR-1 by the World Bank and KFW that would irrigate 10107.5 acres
- c) Turkana irrigation development project that aims at harnessing surface water that has the potential of irrigating up to 33,000 acres using both perennial rivers (R. Turkwel and R. Kerio) and extensive water harvesting for micro-irrigation.
- d) Lower Kuja Irrigation Development Project is located in Nyatike Sub- County of Migori- County. The Project is proposed to cover a total area of 19,293 acres divided into 6 Lots/ Phases
- e) Lower Sabor Irrigation Development project is located in Tembelion Location Moiben sub- county, Eldoret East Sub- County in Uasin Gishu County in the Arid- Semi Arid zones of Soy. The project is targeting to develop irrigation infrastructure on 2000 acres under gravity- fed sprinkler irrigation system
- vi. Operation and maintenance for public irrigation schemes and provide irrigation management services in other schemes.

This involves operation and maintenance of irrigation infrastructure for the 7 public irrigation schemes to ensure that the production is sustained. It entails, maintenance of canals, drains, water control structures and intakes (gravity or pump stations), cropping programme development and implementation, capacity building of farmers, extension services on irrigated agriculture and linkages for access to credit and market for products. The services are also extended to other schemes developed by NIB on request by farmers.

- vii. Implementation of Water Storage dams for irrigation

To increase reliability of irrigation water, NIB targeted to develop various dams across the country and thus carried out feasibility study and detailed designs. Subsequently, by taking a Design, Finance and Build model, NIB has initiated mobilizing for funds for 7 projects namely Radaat Dam in Baringo County, Thuchi Dam in Embu County and Lowaat dam in Turkana County and Gogo Dam in Migori, High grandfall dam in Tharaka Nithi county, Kaiti dams in Makueni, Thiririka and Rwabura dam in Kiambu

In conclusion, investment in irrigation remains vital in Kenya since it would increase the area under irrigation which is a guaranteed means of creating employment, improving the trade balance, spur growth of agri-industries and service sector, enhance internal security by minimizing conflicts between communities and eradicating radicalization. These are truly the key pillars of the Government.


.....
MR. GITONGA MUGAMBI
GENERAL MANAGER/CEO

Date..07-3-2019

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

CORPORATE GOVERNANCE STATEMENT

National Irrigation Board is a State Corporation registered under the Irrigation Act Cap 347.

The institution has a Board membership of nine (9) independent Directors and eight (5) Directors representing the Government of Kenya. During the year, there were changes in the composition of the independent Directors.

The Full Board in order to effectively undertake their duties has formed Four (4) Committees of the Board namely;

- (i) Finance Committee
- (ii) Human Resource and General Purposes Committee
- (iii) Research, Planning and Development Committee
- (iv) Audit Committee

During the year, the full Board and the Committees met and transacted business held in the Boardroom as follows:-

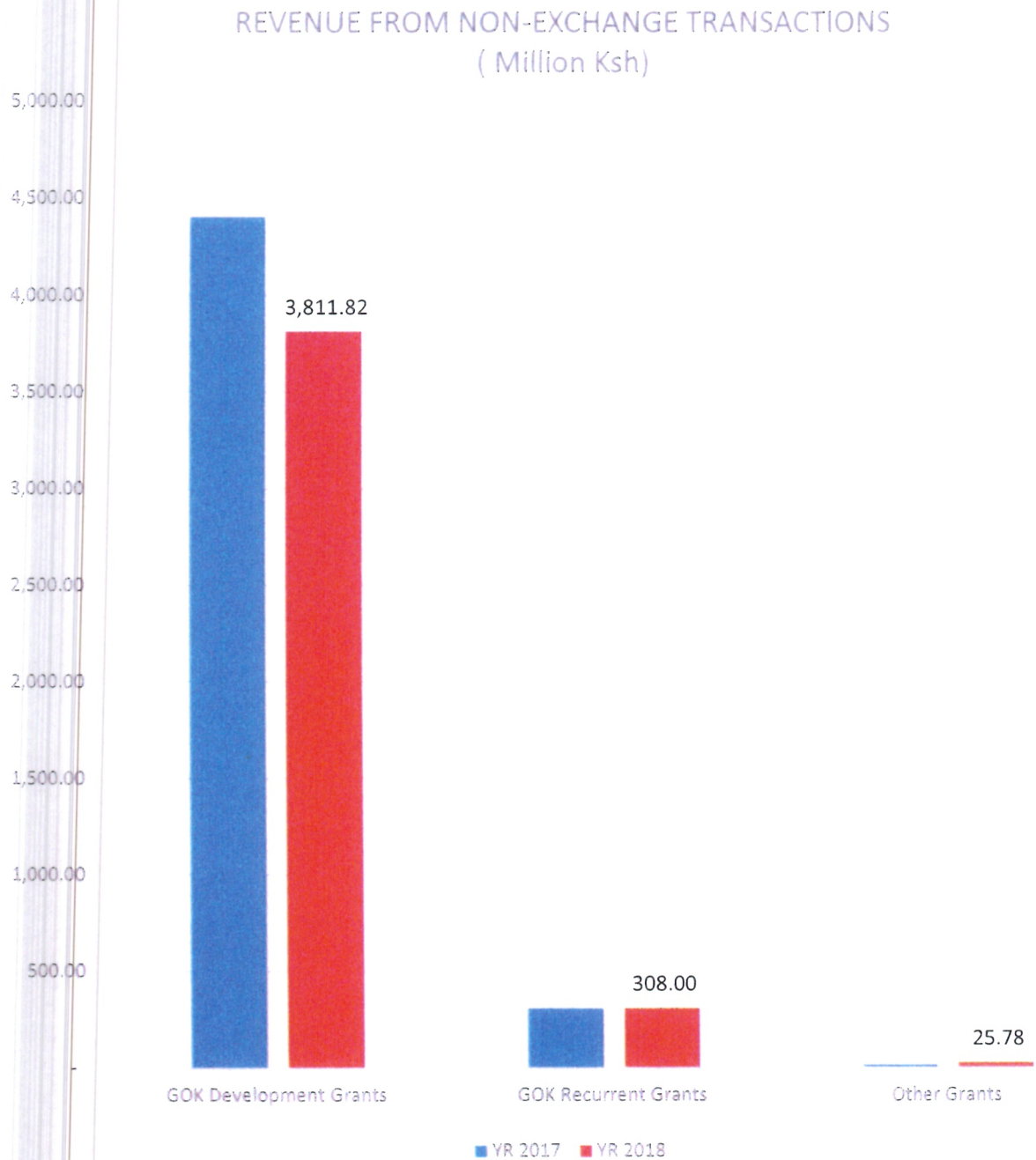
- (i) Full Board - Twelve (12) meetings
- (ii) Human Resource and General Purposes Committee - Thirteen (13) meetings
- (iii) Research, Planning & Development Committee - Four (4) meetings
- (iv) Finance - Two (2) meetings
- (v) Audit Committee - Two (2) meetings

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

MANAGEMENT DISCUSSION AND ANALYSIS

a) Revenue

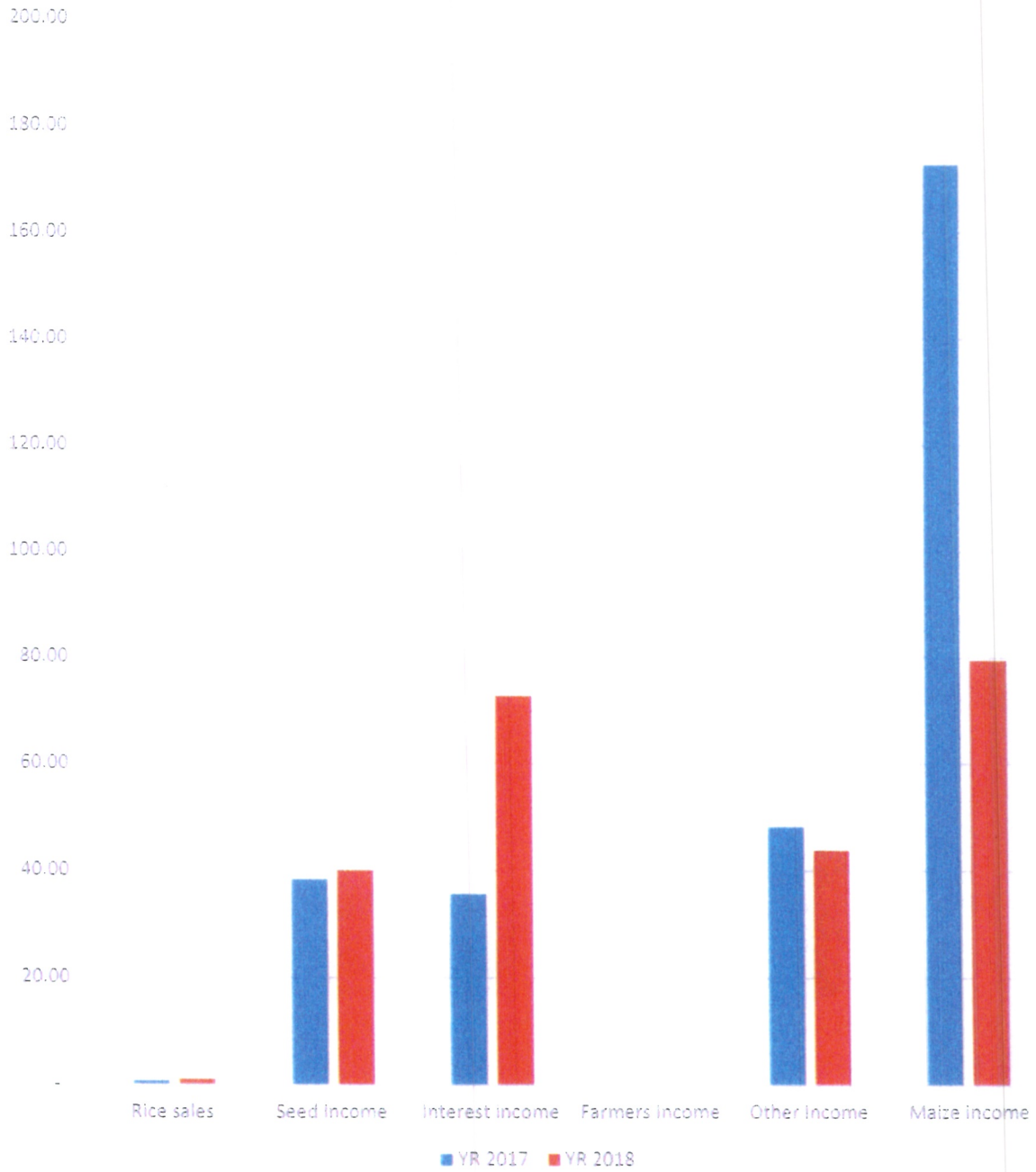
Chart (i)



017/18

Chart (ii)

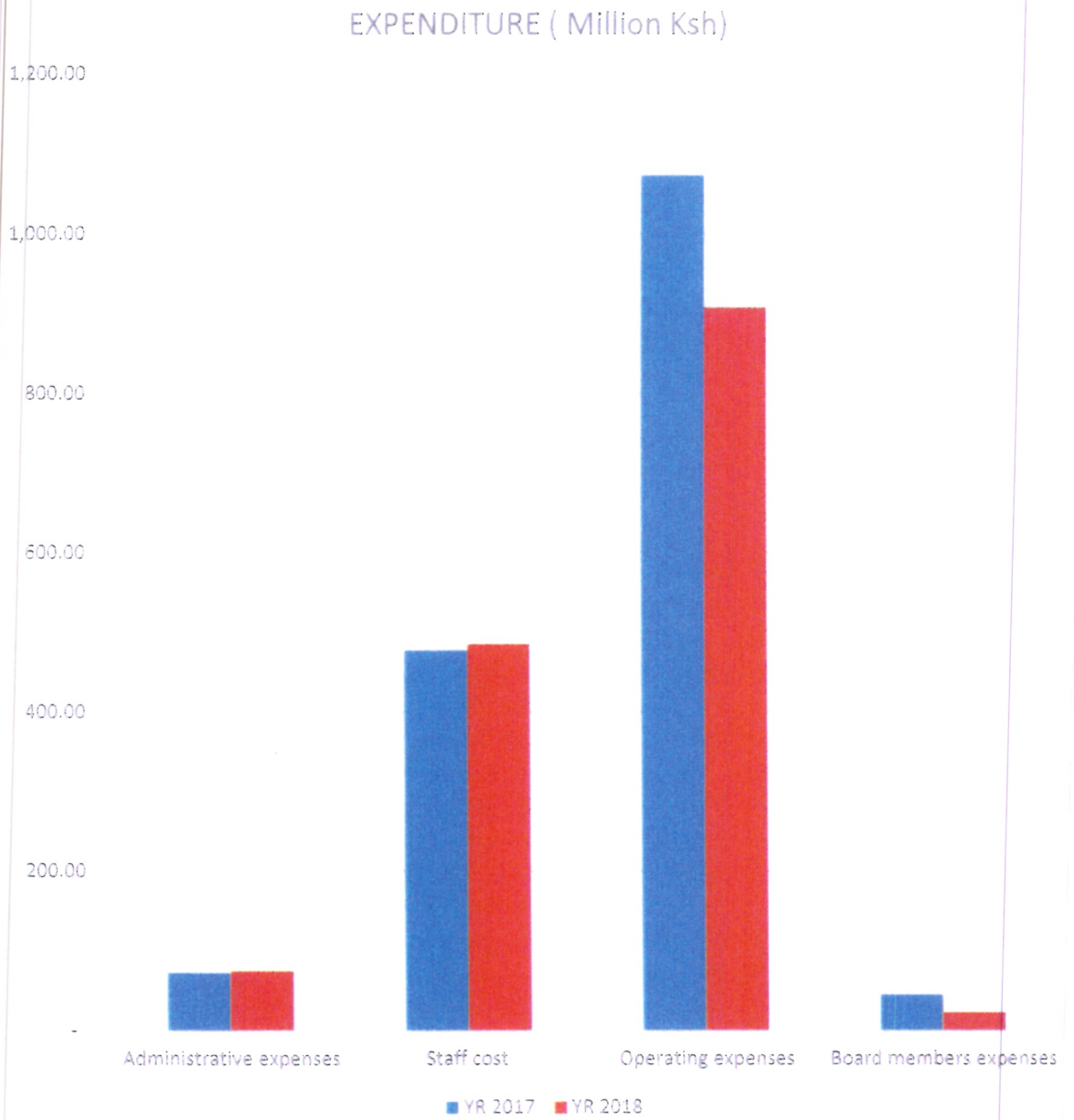
REVENUE FROM EXCHANGE TRANSACTIONS (Million Ksh)



**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

b) Expenses

Chart (iii)



NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

Chart (i) above indicate that the grants to the institution decreased from Ksh. 4,879,929,99 to Ksh.4,145,598,517 in the current year under review. This represents 15.04% decrease when compared with the previous year. The decrease was mainly in the development grants as there was a 13.4% decrease in this area. The recurrent grants remained constant in the two years. The decrease was a reduction in disbursement by the government. Further the second main source of revenue is fees from operational and maintenance charges (O & M) charged on a cost sharing basis to farmers for maintenance of the main infrastructure i.e. irrigation water conveyance canals and farm roads. There was a drastic reduction of Ksh 54.4 Million representing 39.82 % in this area. This was mainly due to a government promise to Mwea farmers that it would clear dues on behalf of farmers occasioned by crop failure. We hope the farmers will benefit from the government promise.

Chart (ii) above shows changes in other operational income. The revenue in this category decreased from Ksh 136,712,125 in the previous year to Ksh 82,259,903 in the current year under review. This translates to 71.743 % decrease. The main item of revenue in this category is seed sales and maize sales. There was reduced activity in Galana Kulalu food security project where maize is grown due to low pace of implementation by the contractor resulting to less area under crop. Due to drought experienced in the main rice cropping season in Mwea Irrigation Scheme, the rice seed sales was equally low as most farmers didn't engage in farming activities due to lack of water.

Chart (iii) above demonstrates the changes in the expenditure for the financial year under review as compared to last financial year. From the chart it is observed that the overall total expenditure decreased by Ksh 178,590,823 in the current financial year as compared to last financial year. This represents a decrease of 10.7 % in the financial year under review. The four major categories of expenditure are administrative expenses, staff costs, operating expenses and board members expenses. Administrative expenses had a very minimal increase of 2.92 %. In this category of expenditure the main components which had significant changes include utility bills due to the erratic increase in electricity charges experienced in the year under review, and insurance component mainly due to the fact that the other year there was a lesser number of board members hence less insurance paid. Staff cost increased by a mere 1.81 % which mainly represents the staff annual salary increase. The other category of expenditure is operating expense which recorded a decrease of 24.47 %. This was basically due to reduced budget disbursement, low cropping and drought hence low activities. The component of repairs and maintenance recoded the major reduction of Ksh 175,413,755 million translating to 33.6 % decrease. This was mainly due to the reduced area under crop hence less maintenance of infrastructure and equipment.

The last category of expenditure is board members expenses which reduced by 49.58 %. This was due to lack of full board members composition in the year under review.

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The National Irrigation Board is committed to carrying out its business and affairs in a socially responsible, sustainable and meaningful way, taking into account ethics, the environment and society at large.

Through the expansive array of life changing corporate initiatives, The National Irrigation Board continues to make a positive impact on its stakeholders, customers and general public guided by its Corporate Social Responsibility guideline. These activities span from education, sports promotion, community involvement, environmental protection, gender equity, health among others. During the contract period FY 2017 – 2018, the Board carried out the following CSR activities;

- i. Donation of firewood to Moi Avenue Primary School in Nairobi.
- ii. Support of Kshs.400, 000 during tree planting exercise in Kaptagat forest in Uasin Gishu County through Lower Sabor Irrigation Project.
- iii. Draining flooded water on the road using excavator in Bunyala South, Mabinju and Ndekwe.
- iv. Draining flooded water at St. Anne Bunyala High School.

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the National Irrigation Board's affairs.

Principal activities

The principal activity of the National Irrigation Board is to provide water for sustainable farming through development, rehabilitation, modernization and promotion of irrigation and drainage for improved livelihoods, food security and economic growth in Kenya

Results

The results of the National Irrigation Board for the year ended June 30, 2018 are set out on page 1 to 15.

Directors

The members of the Board of Directors who served during the year are shown on page V in accordance with Irrigation Act, Cap 347 of the Laws of Kenya.

Auditors

The Auditor General carried out the audit of the National Irrigation Board for the year ended June 30, 2018.

By Order of the Board



Board Secretary
Nairobi

Date: 07-3-2019

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

NATIONAL IRRIGATION BOARD

STATEMENT OF BOARD'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Irrigation Act cap.347 require the Directors to prepare financial statements in respect of National Irrigation Board, which give a true and fair view of the state of affairs of the National irrigation board at the end of the financial year ended 30th June, 2018 and the operating results of National Irrigation Board for the year ended 30th June, 2018. The Directors are also required to ensure that National Irrigation Board keeps proper accounting records which disclose with reasonable accuracy the financial position of National irrigation Board. The Directors are also responsible for safeguarding the assets of National Irrigation Board

The Directors are responsible for the preparation and presentation of National Irrigation Board financial statements, which give a true and fair view of the state of affairs of National irrigation board for and as at the end of the financial year ended 30th June, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of National irrigation board; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of National irrigation board; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for National Irrigation Board's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Irrigation Act Cap.347. The Directors are of the opinion that National Irrigation Board's financial statements give a true and fair view of the state of National Irrigation Board's transactions during the financial year ended June 30, 2018, and of National irrigation board's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for National Irrigation Board, which have been relied upon in the preparation of National Irrigation Board's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The entity's financial statements were approved by the Board on 7th March 2019 and signed on its behalf by:

Name WAMBUI NYUP

Sign 

Name ENG. J.K. RUTERE

Sign 

Name HON. GRACE KIPITU

Sign 

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

**REPORT OF THE INDEPENDENT AUDITORS ON NATIONAL IRRIGATION
BOARD**

REPUBLIC OF KENYA

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E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL IRRIGATION BOARD FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the National Irrigation Board set out on pages 1 to 53, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Irrigation Board as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

1. Bank Balances

The statement of financial position as at 30 June 2018 reflects a balance of Kshs.1,577,391,083 under cash and cash equivalents. This balance as disclosed under Note 19 to the financial statements includes cash balances of Kshs.1,483,416 and bank balances amounting to Kshs.1,575,907,667. A review of records relating to the bank balances revealed the following errors:

- (i) The cash book for KCB – Katilu Account No.1130948382 reflected a balance of Kshs.1,203,710 as at 30 June 2018. The bank reconciliation statement for the account reflected a reconciling suspense amount of Kshs.546,021, which was described as an overcast.
- (ii) The cash book for Barclays Bank Head Office Account No.0945036826 reflected a balance of Kshs.84,663,108 as at 30 June 2018. Included in the bank reconciliation statement for the account was an unexplained entry dated 14 July 2016 amounting to Kshs.2,134,555.90, that had not been resolved.

Consequently, the accuracy of the cash and cash equivalents position to the extent of the erroneous reconciling items could not be ascertained.

Report of the Auditor-General on the Financial Statements of National Irrigation Board for the year ended 30 June 2018

2. Property Plant and Equipment

2.1. Loss of Motor Vehicle KBT 972A

Disclosed in Note 12 under property, plant and equipment are tractors and motor vehicles with a net book value of Kshs.41,400,587 as at 30 June 2018. The latter excludes a motor vehicle registration number KBT 972A not captured in the fixed assets register, which was claimed to have been stolen in the last financial year 2016/2017. In addition, ownership documents of the said vehicle were not made available for audit review. As a result, the completeness and accuracy of the net book of Kshs.41,400,587 for tractors and motor vehicles could not be confirmed.

3. Unaccounted for Retention Monies

The statement of financial position and as disclosed in Note 29 to the financial statements reflects a balance of Kshs.2,396,957,520 under payables from exchange transactions, which include an amount of Kshs.560,207,474 relating to retention monies due to contractors and consultants. However, bank statement for the retention account held at Co-operative Bank Account No.01136128012902 reflected a balance of Kshs.99,141,648 as at 30 June 2018 thus, resulting in a difference of Kshs.461,065,826, that was not reconciled or explained

4. Inventories

4.1. Obsolete Stock

The statement of financial position as at 30 June 2018 reflects inventories balance of Kshs.95,293,715, out of which an amount of Kshs.5,238,587 relates to inventory maintained at the National Irrigation Board head office. Examination of records and physical verification of stores revealed that inventories worth Kshs.1,497,842 were obsolete. However, no provisions have been made for the obsolete stock in these financial statements. The inventories are under the circumstances not fairly stated.

5. Retained Earnings

The statement of financial position and as disclosed under Note 20 to the financial statements reflects a balance of Kshs.15,972,115,340 under retained earnings as at 30 June 2018. The balance was arrived at by adding the surplus for the year of Kshs.3,006,086,316 to the opening balance Kshs.16,282,172,345 and deducting an amount of Kshs.3,316,143,321, which is explained as retained earnings adjustment. However, Note 14 to the financial statements on work in progress indicates WIP adjustment of Kshs.3,058,216,610 and transfer of completed projects to retained earnings of Kshs.5,958,077,975 resulting in a net adjustment of Kshs.2,899,861,365, which differs with the retained earnings adjustment figure of 3,316,143,321 in Note 20 amount by Kshs.416,281,956. The variance of Kshs.416,281,956 was not explained.

The policy of the Board is to offset all projects completed during the year to the retained earnings. However, the policy is not documented or disclosed by a way of a note to the financial statements in alignment to the requirements of IPSAS 3.

6. Inter Company Transactions

The statement of financial position reflects receivables from exchange transactions net balance of Kshs.262,732,596 comprising staff imprests, trade debtors, farmers and other receivables as disclosed in Note 18 to the financial statements. The other receivables gross amount of Kshs.239,947,346 disclosed under Note 18 further includes balances owing from Mwea Rice Mills Limited and Western Kenya Rice Mills (WKRM) as tabulated below:

Entity	NIB Books (Kshs.)	Mills' Books (Kshs.)	Variance (Kshs.)
Mwea Rice Mills Current Account	68,499,382	43,549,705	24,949,677
Western Kenya Rice Mills Current Account	79,331,536	27,950,094	51,381,442
Total	147,830,918	71,499,799	76,331,119

The variance of Kshs.76,331,119 between the books of National Irrigation Board and the mills, respectively was not explained. Consequently, the accuracy of the receivables from exchange transactions net balance of Kshs.262,732,596 could not be confirmed.

7. Staff Imprests

Disclosed in Note 18 to the financial statements under receivables from exchange transactions are staff imprests balance of Kshs.12,590,850 as at 30 June 2018. However, included in the balance is amount of Kshs.2,468,258 relating to long outstanding imprests dating back in 2015. No measure seems to have been taken by the management to recover the long outstanding imprests, whose recovery appear to be doubtful.

Consequently, the accuracy of the staff imprests balance of Kshs.12,590,850 could not be confirmed.

9. Long Outstanding Debts

Note 18 to the financial statements on receivables from exchange transactions includes trade, farmers and others with balances of Kshs.127,060,541, Kshs.382,808,562 and Kshs.239,947,346, respectively. Although, the Board made a provision for bad debt of Kshs.499,674,704 or 66%, no aging analysis of the receivables was made available for audit review. In addition, no documentary was provided to confirm that the board of directors had given approval for the write-off of bad debts.

Consequently, the accuracy of receivables from exchange transactions net balance of Kshs.262,732,596 as at 30 June 2018 could not be ascertained.

10. Suspense Account

Included in other receivables balance of Kshs.239,947,346 disclosed under Note 18 to the financial statements is an amount of Kshs.34,280,229.29 which does not relate to any specific debtors. In the circumstances, the validity, completeness and accuracy of the suspense account balance of Kshs.34,280,229.29 could not be confirmed.

11. Payables from Exchange Transactions

Disclosed under Note 29 to the financial statements are payables from exchange transactions totalling to Kshs.2,396,957,520 as at 30 June 2018. However, included in the payables is amount Kshs.1,126,307,614 owed to KRA and which had accumulated over a long period of time. The amount has increased by Kshs.152,916,045 (16%) as compared to the previous year balance of Kshs.973,391,569.20. The interest and penalties on the balance have, however, not been recognized in the Board's books of account.

In view of the foregoing, the completeness and accuracy of payables from exchange transactions balance of Kshs.2,396,957,520 as at 30 June 2018 could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Irrigation Board in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections, I have determined that there are no key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections 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. Galana/Kulalu Food Security Project

The statement of financial position reflects a balance of Kshs.20,196,797,472 under Work in Progress and as disclosed in Note 14 to the financial statements includes several projects among them Galana/Kulalu Food Security Project.

1.1. Award of the Contract

Available information indicates that Contract No. NIBT/2014-2015 for construction works of the 10,000-acre model farm for Galana/Kulalu Food Security Project in Tana River and Kilifi Counties was awarded to Green Arava Limited for a sum of Kshs.14,545,106,963. The contract was signed on 20 August 2014 between the Board and Green Arava Limited and the site was handed over on 11 September 2014. The works commenced on 11 September 2014 and were expected to be completed within thirty months by 9 March 2017.

1.2. Weaknesses in the Contract

- (i) The financing agreement is tied to the contractor and therefore all proceeds of the loan due to the contract can only be channeled through the contractor. This gives the contractor an upper hand and leaves the employer at the mercy of the contractor.
- (ii) Single sourcing of the contractor. This favored the contractor against competitive bidding, pricing, capacity and competence.
- (iii) The contract provides for advance payment to the experts under operation and maintenance which could lead to under-performance.
- (iv) The contract provides for payment for items on account of bill of lading before installation. This could lead to delay in implementation.
- (v) Exclusion of operation and maintenance bills from the performance bond exposes the employer to under security.
- (vi) Conflict of interest as the designing firm is associated with the implementing firm (contractor) which could lead to poor designs requiring frequent reviews and interpretations.
- (vii) The production component of the contract was pegged on area without emphasizing on production output targets which has sometimes led to underperformance.
- (viii) The contract does not provide for transfer of knowledge of manning the infrastructure installed after the contractor exits the site.

1.3. Weaknesses in Implementation

- (i) Low capacity of the contractor to implement the contract as per the work programme resulting in the contract works being behind schedule.
- (ii) Failure by the contractor to make available key personnel to man various sections of the works as required under the contract.
- (iii) Failure by the contractor to comply with the instructions issued by the employer contractually for the works within a reasonable time thus, leading to disputes on payments, especially, on lump sum items. So far seventy instructions have been issued with unsatisfactory compliance.

1.4. Current Status of the Project

As at the time of the audit, forty-four months had elapsed since the commencement of the works on 11 September 2014 and the works were past the expected completion date of

9 March 2017 by fourteen months. According to a status report dated 1 March 2019, the Contractor had provided a revised programme of works to complete the works by April 2019. Further, there was an attempt to work on the pipeline to the second reservoir but this had stalled and no work was going on at the site. The project was also indicated in the status report as 85% complete. However, an enquiry made revealed that piping had been done on 3,300 acres only while piping on 6,700 acres which also formed part of the contract sum was yet to be done.

An inspection for handing over of completed sections was carried out between 29 January 2019 and 8 February 2019. In addition, the management had written to the Contractor evoking sub-clause 47.1 of FIDIC, 1987 on "liquidated damages for delay" and was demanding Kshs.4,160,000 as damages. However, the limit for liquidated damages was provided for at Kshs.10,000 per day and a limit 10% of the contract value which is considered too low for the contract.

1.5. Payment Certificates

According to the status report dated 1 March 2019 the contractor had presented 11 completion certificates, out of which 10 totalling Kshs.5,711,546,898.03 had been fully settled. However, the eleventh certificate was still in dispute.

Examination and analysis of the payment certificates since inception of the project revealed a total cost of Kshs.5,963,931,113.45. The difference of Kshs.252,384,215 related to withheld taxes between what was actually paid and what was released to the client. Certificates Nos.1 to 5 totalling Kshs.2,268,413,575.64 appear to have been settled by the Board while Certificates Nos.6 to10 were paid directly by the National Treasury. In addition, the Board paid to the contractor the gross amount, which included total VAT for Certificate Nos.1 to 5 amounting to Kshs.417,036,617.79 contrary to clause 60.1(b) of the signed contract which stipulated that all taxes should be withheld and remitted by the employer.

1.6. Purchase of Vehicles and Mowers

The contract document provided for purchase of two prado vehicles for the Project Manager and deputy but the project instead procured five prado vehicles. In addition, the contract document provided for purchase of one mower but instead the project procured three . No reason was given for these variations.

1.7. Irrigation Systems

The irrigation system was described in contract documents as a pressurized one, where pressure pipes are used for conveyance. The entire pipe network is about 200 km (32 km centre pivot and 168 km drip). Thirty kilometres of pipeline has been done for centre pivot and seventy-two kilometres in drip area. The sizes of the main line pipes range from 710 mm to 225 mm in diameter and are made of steel, uPVC and HDPE. There are two types of pressurized irrigation system - centre pivot and drip (open field and greenhouses).

1.7.1. Centre Pivot (CP)

Information available indicates that centre pivot irrigation method will be using sprinklers and is targeted to irrigate 3,960 acres. A total of 24 units were to be installed with each centre pivot irrigating 165 acres. Currently, there are 20 centre pivots with a capacity to irrigate 3,300 acres which have been supplied and installed. The supply and installation was verified during audit inspection but testing and operation of the centre pivots was not done as no water was available to enable testing of the same. Consequently, their functionalities could not be confirmed. Further, the contractor is yet to supply and install the 4 remaining centre pivots.

1.7.2. Drip System

Drip irrigation system will be used for the irrigation of 5,265 acres. The contractor had supplied drip lines capable of covering 2,050 acres as per the status report. Installation of drip system covering about 1,800 acres is almost complete according to the same report. Land preparation was ongoing during the site visit.

A physical verification revealed that the main pipeline and the first reservoir of about 45 cubic meters for sedimentation for the first drip irrigation area of 2,435 acres was complete but the other laterals were yet to be installed. The next pipeline to the drip area of 2,830 acres was under construction but had stalled. The verification also revealed that pipe fusion had been done in some cases, and was ready for eventual laying, however in most cases the trenches for laying of the pipeline had not been dug. The reservoir for drip irrigation had algae filled green water that was indicated to have been pumped several months ago during the testing of the pumps.

1.8. Pumping Stations

Two pumping stations were planned for construction. The first pumping station was to have 5 pumps to irrigate 4,265 acres and to supply water also for all the domestic requirements at the logistic centre and staff quarters. The second pumping station was to have 8 pumps installed to irrigate 5,735 acres.

It was explained that eight pumps were installed but during the long rains season in 2018 the area had been flooded and after receding of the floods, the 8 pumps were cleaned and retested. Out of the 8 pumps, 6 pumps were said to have been tested but failed to restart. So only two pumps are said to be working. However, during the audit inspection the pumps were not tested as no water was available to pump.

It was observed during the audit verification that the intake canal was silted and full of mud. In addition, the diversion canal had also been damaged during the floods and was also heavily silted. National Irrigation Board has contracted another contractor to de silt the canal. No reason was given for awarding another contract to a third party when the project has not yet been handed over to the Board by the main contractor.

The eight installed pumps are currently connected to 20 centre pivots and part of drip irrigation area. Six electric pumps have been supplied and installed for the drip area.

However, it was noted that the pumping station had not been roofed although the roofing materials were on site and abandoned by the contractor for reasons that he had not been paid Certificate No.11.

1.9. Logistics Centre and Machinery

The logistics centre was set up to consist of several components as detailed below:

No.	Description	Deferred Components	Other Observations
1.	Maize mill and storage silos	Maize mill	No storage silos
2.	Generator house, gas station and electricity	Gas station	No electricity
3.	Garage, tractor shed and weighbridge (fully equipped)	Weighbridge	Garage and tractor shed exists.
4.	Water treatment works	Not deferred	No treatment works
5.	Cold storage and packaging house	Deferred	Deferred
6.	Dispensary	Deferred	Deferred
7.	Office block complex complete with training centre	Training centre deferred	Office block exists but incomplete.
8.	On farm roads, drainage	On farm roads	Drainage canals were incomplete
9.	Fencing	Not deferred	Completed but batteries and solar panels not seen
10.	Agricultural machinery and vehicles Some machinery and vehicles were deferred	Some machinery deferred	Some of the machinery is on site. Not all expected machinery were on site.

The logistics center appears like a hangar. The office is in an open garage area. There is no air conditioning and staff working in the offices are at the mercy of the extreme conditions of weather.

1.10. Effect of Floods in April 2018

Information available indicates that the flooding of River Galana in April 2018 caused destruction of part of the intake works and the river shifted from its original course. The contractor was requested during a site meeting to rehabilitate the intake by restoring water back to its original course to enable production to continue but he declined. He proposed that a lasting solution was required which would cost the employer Kshs.700 Million.

The perpendicular width of the river at the intake, along one of the axis also widened by about 196m as a result of the floods and therefore there was need for National Irrigation Board(NIB) to carry out river training to redirect water flow towards the intake for irrigation.

NIB engaged another contractor to carry out the works and the water has been restored to the intake. The total amount incurred for the additional works was Kshs.19,000,000.

1.11. Land Preparation

It was noted that the National Irrigation Board has prepared 570 acres of land under centre pivots for crop production. However, the contractor had stopped working and had actually vacated the site other than for a very lean staff comprising of watchmen. It is therefore apparent that the project will not be completed soon. The National Irrigation's Board attempt at carrying out task of preparation of land and irrigation of the 570 acres appears intended to fail as the Board had not initially planned for the actual implementation of the irrigation process and does not appear to have the capacity to carry out the growing of maize.

1.12. Under-Utilization of 20,000 Acres Leased Land

The lease agreement signed between Agricultural Development Corporation and the National Irrigation Board dated 7 April 2014 indicates portion of land measuring 20,000 acres. However, the signed agreement between Green Arava Limited and National Irrigation Board indicated that 10,000 acres only would be utilized. The remaining 10,000 acres are idle and will remain idle since they were not included in the model farm programme. No reason was given by Management for leasing 20,000 acres of land when they only required 10,000 acres.

The Board from the inception of the Project has paid Kshs.150,000,000 in respect of lease of the land as follows:

Financial Year	Amount (Kshs)
2013/2014	50,000,000
2014/2015	70,000,000
2015/2016	30,000,000
Total	150,000,000

In the circumstances it was not possible to establish why the Board leased 20,000 acres and only utilized 10,000 acres but making lease payments for 20,000 acres.

2. Rahole Canal Irrigation Project Phase 3

As noted in the previous year, the project has been under implementation by the Board over the last four financial years (since the year 2013) and only three phases of the project have been implemented at a total cost of Kshs.679,805,824 (Phase I: Kshs.143,911,619, Phase II: Kshs.300,356,375 and Phase III: Kshs.235,537,830). The contract was awarded to M/S Concordia Building and Civil Engineers Limited for all the phases. The main activities/components of the project include; construction of intake works, excavation and part lining of 15km canal, construction of flood protection structures, excavation of secondary canals and construction of water distribution structures.

The contract for phase III was to commence on 17 September 2014 and to be completed on 17 September 2015. The current status report indicates that 85% of the works have been done. No reason or explanation has been provided for delay in completion of the project.

3. Yakitaa Irrigation Development Project

Tender No.NIB/T/004/2015-2016 for the above project was awarded to Benisa Limited for a contract sum of Kshs.123,500,147. The start and completion dates were 30 December 2015 and 30 December 2016, respectively. Although Certificate No.1 for Kshs.40,381,824 has been paid, the completion status is 30%. The performance guarantee was for up to 30 December 2016. No reason has been provided for the delay in completion of the project.

4. Oldonyiro Irrigation Scheme

Contract No. NIB/T/100/2014-2015 for construction works in respect of Oldonyiro Irrigation Scheme was awarded to Dido and Sons Limited at a sum of Kshs.224,584,457.77. The works commenced on 4 September 2015 and were expected to be completed on 28 October 2016. According to a Memo dated 9 September 2016 the project targeted 300 acres of land under irrigation and was to provide also water for domestic and livestock use.

At the time of the audit, the project's progress of completion was 74% but payments totalling Kshs.212,628,059.78 or about 95% of the contract sum had been certified and made to the contractor. However, the management did not provide reasons for the delay in project completion.

5. Lower Kithengi Irrigation Development Project

Contract No. NIB/T/120/2013-2014 in respect of construction works for Lower Kithengi Irrigation Development Project was awarded to Ziyale Investment at a sum of Kshs.27,546,902.77. The works commenced in July 2015 and were expected to be completed in June 2016. The project is located in lower Kithimu location, Nembure Division of Embu County. The project targeted to put 30 acres of land under irrigation and benefitting 150 farmers.

A certificate for an amount of Kshs.18,618,185 representing about 68% of the contract sum was approved on 29 January 2016 and paid. However, no further certificates have since been submitted or approved for payments and the project has remained 67% complete. No explanation has been provided for non-completion of the project.

6. Rehabilitation Works of Riu Nderi Water Pan

Contract No. NIB/T/087/2014-2015 for rehabilitation works of Riu Nderi Water Pan was awarded to Bofas Zipper Ltd at a sum of Kshs.84,476,370. The works commenced on 24 September 2015 and were expected to be completed on 24 June 2016. The works were as of 30 June 2018 still being reflected as in progress in the financial records and a total of Kshs.60,797,600 or 72% of the contract sum had been paid to the contractor. Although, performance guarantee expired on 24 June 2016, the management did not confirm the

extension of the performance guarantee. Further, no reasons were given for the delay in completion of the project.

7. Rehabilitation Works of Bura Irrigation and Settlement Scheme Project

7.1. Award of Contract

Contract No. NIB/T/046/2010-2011 for rehabilitation of the Bura Irrigation and Settlement Scheme project was awarded to IVRCL Limited on 24 August 2012 at a sum of Kshs.7,355,829,104 inclusive of 10% contingency sum. The contract was signed on 27 February 2013. The project was to be financed in the following proportion:

	Kshs.
GOK	5,394,199,104
Kuwait Fund	1,856,400,000
BADEA	680,000,000
OPEC Fund	510,000,000

7.2. Status of Progress of Works

The rehabilitation works commenced on 27 November 2013 and were expected to be completed within a period of twenty-four months on 27 November 2015 which was later revised to 27 November 2016. A letter from National Irrigation Board dated 7 February 2017 addressed to the Principal Secretary on the project gave an extension of up to 31 December 2017 for the completion of the entire works. A revised date of completion was later granted up to 31 March 2018. To date the project overall completed works is 30% against elapsed contract period of 1821 days as per the status report dated October 2018. It was noted that the delay in completion of the works was partly due to inability of the contractor to finance the works.

On 3 March 2018 a public announcement was made under the provisions of regulation 6 of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons), Regulations, 2016 on IVRCL Ltd (the contractor) which the contractor confirmed. Information available indicates that the Board has written to Kenya Commercial Bank (KCB) demanding payment of the advance payment guarantee of USD 5,750,000 and performance bond guarantee of USD 5,751,744, a demand which the bank has dishonored.

7.3. Payments Certified

Works valued at Kshs.2,693,229,804.41 have been certified with the amounts certified and paid totalling Kshs.2,487,528,120.93 which includes an advance payment of Kshs.665,192,201.30 to the contractor, which has not been fully recovered.

8. Failure to Implement Internal Audit Management System

The Board had procured an Internal Audit Management System for control management, analysis and risk assessment in September 2015. The Audit Management System (Pentana v2015) was procured from Service and Computer Industries Kenya Limited vide Contract Number: NIB/T/061/2014-2015 of 4 September 2015 at a contract sum of Kshs.6,499,736.

A total payment of Kshs.5,531,461.36 has been made to date to the firm in two instalments vide cheque No. 012122 dated 8/29/2017 for Kshs.2,209,523.81 and cheque No.012807 dated 3/21/2018 for Kshs.3,321,892.55. However, it was observed that the system was not being used by the internal auditors for their audits.

Consequently, the Board appear not to have obtained value for money in respect of the expenditure of Kshs.5,531,461.36 so far incurred for the Audit Management system.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, 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 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and 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 control 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 control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the ability of National Irrigation Board to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to cease operations, or have no realistic alternative but to do so.

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

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

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

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



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

3 April 2019

NATIONAL IRRIGATION BOARD
 STATEMENT OF FINANCIAL PERFORMANCE
 FOR THE YEAR ENDED 30 JUNE 2018

REVENUE FROM NON EXCHANGE TRANSACTIONS	NOTE	2018 KSH	2017 KSH
Government Grants	5	4,145,598,517	4,879,929,999
REVENUE FROM EXCHANGE TRANSACTIONS			
Income	6	83,371,438	136,712,125
Other Operational Income	7	282,567,355	295,729,154
TOTAL INCOME		4,511,537,309	5,312,371,278
EXPENDITURE FROM EXCHANGE TRANSACTIONS			
Administrative Expenses	8	74,709,473	72,549,449
Staff Cost	9	485,892,566	477,007,541
Operating Expenses	10	922,070,896	1,073,624,744
Board Members Expenses	11	22,778,058	45,185,478
TOTAL EXPENDITURE		1,505,450,993	1,668,367,212
Surplus/(Deficit) for the year		3,006,086,316	3,644,004,066

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NATIONAL IRRIGATION BOARD
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2018

ASSETS	NOTES	2018 KSH	2017 KSH
NON CURRENT ASSETS			
Property Plant and Equipment	12	5,147,169,596	5,210,433,820
Intangible Assets ICT	13	10,021,831	10,771,534
Work in Progress	14	20,196,797,472	18,451,085,625
Longterm Investments	15	27,950,000	27,950,000
Investment Mortgage	16	193,591,777	186,378,362
Total non- current Assets		25,575,530,677	23,886,619,341
CURRENT ASSETS			
Inventories	17	95,293,715	108,044,233
Receivables from Exchange Transactions cash and Cash Equivalent	18 19	262,732,596 1,577,391,083	123,557,624 1,388,540,391
Total current assets		1,935,417,394	1,620,142,248
TOTAL ASSETS		27,510,948,071	25,506,761,589
EQUITY AND LIABILITIES			
EQUITY			
Retained Earnings	20	15,972,115,340	16,282,172,344
Development Fund	21	11,695,220	11,695,220
Capital Fund	22	694,921,649	694,921,649
JICA Fund	23	3,614,104,638	1,993,471,957
BADEA Grant	24	644,107,484	610,743,825
KUWAIT Fund	25	555,432,145	497,530,564
OFID Fund	26	150,773,312	125,760,463
Double Crop Grant	27	27,707,439	27,707,439
Bank of Leumi Israel	28	3,443,133,322	1,702,008,002
TOTAL EQUITY		25,113,990,550	21,946,011,462
NON CURRENT LIABILITIES			
TOTAL NON CURRENT LIABILITIES		-	-
CURRENT LIABILITIES			
Payables From Exchange Transactions	29	2,396,957,520	3,560,750,127
TOTAL CURRENT LIABILITIES		2,396,957,520	3,560,750,127
TOTAL EQUITY & LIABILITIES		27,510,948,071	25,506,761,589

SIGN.....

CPA. JOSEPH K.KIGOTHO
NO.17191

DATE.....

SIGN.....

GITONGA MUGAMBI
GENERAL MANAGER/CEO

DATE.....

SIGN.....

MUDZO NZILI
BOARD CHAIRMAN

DATE.....

NATIONAL IRRIGATION BOARD

STATEMENT OF CHANGES IN NET ASSETS AS AT 30-06-2018

DESCRIPTION	RESERVES	DEVELOPMENT FUND	CAPITAL FUND	JICA GRANT	BADEA GRANT	KUWAIT GRANT	OFID GRANT	LOAN CAPITAL	BANK OF LIUMI ISRAEL	TOTAL
As At 1st July 2016	14,606,538,943	11,695,220	694,921,649	1,541,594,513	561,601,248	394,554,800	88,918,104	27,707,439	561,786,432	18,489,318,349
Addition During the Year	3,644,004,066			451,877,444	49,142,577	102,975,763	36,842,358		1,140,221,570	5,425,063,778
Tenants housing loan write back	298,686									298,686
Work in progress write off	-1,968,669,350									-1,968,669,350
As At 30th June 2017	16,282,172,344	11,695,220	694,921,649	1,993,471,957	610,743,825	497,530,564	125,760,463	27,707,439	1,702,008,002	21,946,011,462
As At 1st July 2017	16,282,172,344	11,695,220	694,921,649	1,993,471,957	610,743,825	497,530,564	125,760,463	27,707,439	1,702,008,002	21,946,011,462
Addition During the Year	3,006,086,316			1,620,632,681	33,363,659	57,901,582	25,012,849		1,741,125,320	6,484,122,408
Adjustments	-3,316,143,320									-3,316,143,320
As At 30th June 2018	15,972,115,340	11,695,220	694,921,649	3,614,104,638	644,107,484	555,432,145	150,773,312	27,707,439	3,443,133,322	25,113,990,550

Note:

- i) The Reserves are the cumulative surpluses of income over expenditure over time.
- ii) Work in progress write off represents completed projects which have been handed over to the beneficiary communities.
- iii) Development fund was established for future expansion of Irrigation infrastructure.
- iv) Capital fund represent initial capital provided by the Government to establish National Irrigation Board, it is represented by land and buildings in the statement of financial position.
- v) JICA grants represent donor Funding for Mwea Irrigation Development project
- vi) Badea, Kuwait and Ofid represent donor funding for development of Bura Gravity Irrigation Project
- vii) Bank Of Liumi Israel represent donor Funding by Israel Government for development of Galana Kulalu Food Security Project

**NATIONAL IRRIGATION BOARD
STATEMENT OF CASHFLOWS
FOR THE YEAR 30TH JUNE 2018**

STATEMENT OF CASHFLOWS

Surplus

Adjustments of items not involving movement of Funds

Depreciation

Loss on disposal of Assets

Retained Earnings Adjustments

Work in progress write off

Tenants housing loan write back

WIP adjustment

Stale cheques written back

Transfer from WIP to Buildings

Operating Profit before working capital changes

Increase in Assets

Working Capital Changes

Increase/Decrease in Inventories

Increase/(Decrease) in Receivables from exchange transactions

Increase/Decrease in Payables from exchange transactions

Net Cash flows from operating Activities

Investing Activities

Net change on Fixed Assets Total

Purchase of Fixed Assets

Work In Progress additions

Mortgage

Net cash used in investing activities

Financing Activities

JICA Grants

Badea Grant

Kuwait Fund

OFID

Bank of Liumi Israel

Net cashflows from financing activities

Net Increase/(Decrease) in Cash

Cash & Cash Equivalent at the beginning of the Year

Cash & Cash Equivalent at the end of the year

NOTES	2018 KSH	2017 KSH
	3,006,086,316	3,644,004,066
12	237,630,973	116,941,190
		324,153
20	(3,316,143,321)	(1,968,370,664)
14	5,958,077,975	1,979,612,467
		(298,686)
	(3,058,216,610)	
		34,798,682
		7,164,475
	2,827,435,334	3,814,175,683
17	12,750,518	30,096,082
18	(139,174,972)	(112,283,029)
29	(1,163,792,606)	(637,880,545)
	1,537,218,273	3,094,108,191
12	(173,617,047)	(43,919,463)
14	(4,645,573,212)	(5,458,263,591)
16	(7,213,415)	(8,195,010)
	(4,826,403,674)	(5,510,378,064)
23	1,620,632,681	451,877,444
24	33,363,659	49,142,577
25	57,901,582	102,975,763
26	25,012,849	36,842,358
28	1,741,125,320	1,140,221,570
	3,478,036,091	1,781,059,712
	188,850,691	(635,210,161)
19	1,388,540,391	2,023,750,552
19	1,577,391,082	1,388,540,391

NATIONAL IRRIGATION BOARD
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
2017-2018

REVENUE	Original Budget-Recurrent	Adjustment	Final Budget	Actual on Comparable Basis	Performance Difference	% Variance
Development Grants	3,878,500,000.00	- 273,500,000.00	4,152,000,000.00	3,811,821,113	340,178,887.00	8.19
Recurrent Grants	308,000,000.00	-	308,000,000.00	308,000,000	-	-
Other grants	30,000,000.00	5,000,000.00	25,000,000.00	25,777,404	777,404.00	3.11
Donor Funds	2,133,300,000.00	- 1,044,700,000.00	3,178,000,000.00	3,478,036,092	300,036,091.83	9.44
Operation and Maintenance	132,917,000.00	42,917,000.00	90,000,000.00	83,371,438	6,628,562.00	7.37
Rice Sales	28,683,000.00	27,683,000.00	1,000,000.00	1,050,289	50,288.75	5.03
Seed Income	149,257,000.00	106,257,000.00	43,000,000.00	40,051,353	2,948,647.00	6.86
Other Income	78,762,000.00	35,762,000.00	43,000,000.00	116,563,154	73,563,154.00	171.08
Maize	10,381,000.00	- 69,619,000.00	80,000,000.00	124,902,560	44,902,560.00	56.13
Total Income	6,749,800,000.00	- 1,170,200,000.00	7,920,000,000.00	7,989,573,403	- 69,573,402.58	- 0.88
EXPENSES						
Printing & Stationery	8,000,000.00	1,000,000.00	7,000,000.00	6,734,832	265,168.00	3.79
Rent & Rates	1,000,000.00	-	1,000,000.00	976,074	23,926.00	2.39
Subscription & Periodicals	200,000.00	- 1,800,000.00	2,000,000.00	2,022,247	22,247.00	1.11
Office tea, Beverages & Consumables	10,000,000.00	-	10,000,000.00	9,132,418	867,582.00	8.68
Utility Bills	35,000,000.00	-	35,000,000.00	34,111,974	888,026.37	2.54
Audit fees	2,500,000.00	-	2,500,000.00	2,320,000	180,000.00	7.20
Insurance	20,000,000.00	2,000,000.00	18,000,000.00	18,224,301	224,300.58	1.25
General Repairs & Maintenance	600,000.00	60,000.00	540,000.00	-	540,000.00	100.00
Parking charges	10,000.00	1,000.00	9,000.00	8,700	300.00	3.33
Bicycle Expense	70,000.00	- 5,000.00	75,000.00	69,900	5,100.00	6.80
Bank charges	1,000,000.00	- 150,000.00	1,150,000.00	1,109,028	40,972.00	3.56
Salaries & Wages	350,000,000.00	8,000,000.00	342,000,000.00	333,283,688	8,716,312.07	2.55
Casual wages	100,000,000.00	- 10,000,000.00	110,000,000.00	111,991,209	1,991,208.53	1.81
Staff Training	15,000,000.00	2,500,000.00	12,500,000.00	12,378,086	121,914.01	0.98
Medical Expenses	30,000,000.00	5,000,000.00	25,000,000.00	24,702,347	297,653.27	1.19
Staff Uniforms	200,000.00	- 16,000.00	216,000.00	195,689	20,311.00	9.40
Staff Welfare	3,800,000.00	-	3,800,000.00	2,225,502	1,574,498.00	41.43
Advertising	3,500,000.00	-	3,500,000.00	3,504,794	4,794.00	0.14
Travelling Meals & Accommodation	125,000,000.00	- 2,000,000.00	127,000,000.00	126,549,686	450,314.00	0.35
Guest House Expenses	10,000,000.00	3,000,000.00	7,000,000.00	6,847,989	152,011.30	2.17
Licence Charges	3,000,000.00	500,000.00	2,500,000.00	2,384,280	115,719.99	4.63
Consultancy	50,000,000.00	-	50,000,000.00	49,823,960	176,039.60	0.35
Fuel Expenses	100,000,000.00	- 10,000,000.00	110,000,000.00	118,617,716	8,617,716.00	7.83
Agricultural Expenses	100,000,000.00	-	100,000,000.00	96,696,836	3,303,164.00	3.30
Repairs and Maintenance Expenses	250,000,000.00	- 100,000,000.00	350,000,000.00	354,506,047	4,506,047.00	1.29
Hire of Equipment	2,500,000.00	-	2,500,000.00	2,462,267	37,733.07	1.51
Legal Charges	1,000,000.00	300,000.00	700,000.00	655,134	44,866.00	6.41
Other Expenses	50,000,000.00	10,000,000.00	40,000,000.00	39,332,405	667,595.00	1.67
Board members expenses	25,000,000.00	1,500,000.00	23,500,000.00	22,778,058	721,942.00	3.07
Total recurrent expenditure	1,297,380,000.00	- 90,110,000.00	1,387,490,000.00	1,383,645,165	3,844,834.57	0.28
CAPITAL EXPENDITURE						
Galana Kulalu food security project	615,500,000.00	- 400,500,000.00	1,016,000,000.00	104,866,627	911,133,373.48	89.68
Mwea Irrigation development project	2,114,300,000.00	- 436,700,000.00	2,551,000,000.00	2,375,816,078	175,183,922.00	6.87
Rwabura Irrigation project	30,000,000.00	8,000,000.00	22,000,000.00	2,560,510	19,439,490.00	88.36
Bura Irrigation Scheme	869,000,000.00	358,000,000.00	511,000,000.00	134,168,475	376,831,524.81	73.74
National Expanded Irrigation Program	1,798,620,000.00	- 556,880,000.00	2,355,500,000.00	2,355,458,492	41,508.09	0.00
Purchase of fixed assets	25,000,000.00	-	25,000,000.00	23,789,597	1,210,403.00	4.84
Turkana Irr. Dev. Projects			34,000,000.00	29,963,876	4,036,124.00	11.87
Lower Sabor Irr. Project			21,000,000.00	1,913,500	19,086,500.50	90.89
LowerKuja Irr. Project			27,000,000.00	5,851,765	21,148,235.00	78.33
Total Development expenditure	5,452,420,000.00	- 1,028,080,000.00	6,562,500,000.00	5,028,537,154	1,506,962,845.88	
TOTAL EXPENDITURE	6,749,800,000.00	- 1,118,190,000.00	7,949,990,000.00	6,412,182,320	1,537,807,680.45	
SURPLUS FOR THE PERIOD				1,577,391,083		

Budget Notes

1. The original budget was presented to the Ministry in January 2017. After the printed estimates were issued, National Irrigation Board was allocated a budget of Ksh 3,960,500,000 Gok and Ksh 2,133,300,000 donor funds. The recurrent budget was Ksh 400,000,000 A-in-A and Ksh 308,000,000 Gok .
2. The Adjustment was necessary to recognize the printed estimates budget allocation thus leading to the final budget figures.
3. The recurrent grants for the period were received in full as per printed estimates
4. The other grants of Ksh 25,777,404 were grants disbursed to NIB from the Ministry of Water and Irrigation to cater for recurrent expenditures under the World Bank Water and Climate Change resilience program in Lower Nzoia.
5. The under expenditure in Mwea Irrigation Development Project by 31.27 % in capital expenditure was as a result of the succession cases mentioned above which delayed commencement of construction of Thiba dam hence under absorption of donor funds leading to low expenditure under this item.
6. Under expenditure for Bura Irrigation Scheme by 35.40 % was as a result of delays by the contractor in implementation of the Bura Irrigation gravity. It was further
7. Under expenditure for Galana Kulalu Irrigation Project by 86.89 % was as a result of low pace of implementation by the contractor, who has since been terminated.
8. Under expenditure for Rwambura Irrigation Project by 91.46 % was as a result of delays in finalization of financing agreement. And the expenditure incurred is for ESIA.

1. GENERAL INFORMATION

IPSAS 3

National Irrigation Board is established and derives its authority and accountability from the irrigation Act cap 347. National Irrigation Board is wholly owned by the Government of Kenya and is domicile in Kenya. The principal activities is to promote, develop and improve irrigated agriculture to ensure food security in the country.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

National Irrigation Board adopted IPSAS in the year 2013-2014 following the gazetment of Public Sector Accounting Standards Board (PSASB), which was established by the Public Financial Management Act (PFM) No. 18 of 24th July 2012. PSASB issued financial reporting standards and guidelines to be adopted by all state organs and public sector entities, which National Irrigation Board complies with. The Financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS)

3. ADOPTION OF NEW AND REVISED STANDARDS

IPSAS 39. The objective to issue IPSAS 39 was to reate convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to ammenments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach. The standard does not have any impact on the entity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Property Plant and Equipment

IPSAS17

All items of Property Plant and Equipment are initially measured at cost. After initial recognition they are stated at historical cost less depreciation.

There is no depreciation charged on the sewerage disposal system. Depreciation on the other assets is calculated on straight-line basis using the following rates:-

Buildings	2%
Computers	33.33%
Furnitures & Equipment	10 %
Irrigation works and sewerage system	None
Land	None
Motor vehicles, Tractors & Heavy Equipment	20 %
Plant & Machinery	10 %
Integible assets	10.0%

b) 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 for National Irrigation board are basically softwares and the ERP system. These have a finite useful life which is ten years with regular upgrades by Microsoft to new versions.

c) Inventories

IPSAS12

Inventories have been valued at lower of cost and estimated net realisable value. Costs comprises of direct materials and where applicable, direct labour costs and those overheads incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of disposal.

d) Cash and cash equivalents

For the purpose of the cashflow statement, cash and cash equivalents includes bank balances and short term liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

e) **Government grants**

National Irrigation Board being wholly owned by the Government of Kenya receives funding for both development grants and recurrent grants each year. The grants are recognized in the books when received. Development grants are utilized in capital projects and recurrent grants for staff costs and other recurrent expenditures.

f) **Interest on loans**

Interest on loans to the Board is included as an expense as it accrues and is calculated on the principal amount of the loan outstanding. Currently National Irrigation Board is not servicing any loan hence no interest on loans in the books of account.

g) **Taxation**

The National Irrigation Board is exempted from Kenya Income Tax.

i) **Investments**

Long term investments are valued at cost. These are investment in shares held at Mwea Rice Mills Ltd and Western Kenya Rice Mills Ltd.

j) **Receivables**

Trade and other receivables are recognized at fair value less allowances for any uncollectible amounts. These 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. Full provision for bad and doubtful debts is done for all debts that are over two years as we wait for approval for write off by The National Treasury.

k) **Payables**

Trade and other payables are non-interest bearing and are carried at amortized cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to National Irrigation Board or not, less any payments made to the supplier. The Board write back all credit balances which have been outstanding for over seven years without demand notices from creditors/(suppliers).

l) **Donor Funding**

National Irrigation Board receives grants in form of donor funds from bilateral and multilateral donors. The donor funds are either in form of donor revenue or donor A-in-A. Both donor revenue and donor A-in-A funds are recognized when received or settled respectively.

Donor Revenue

These are donor funds which are factored in the National budget and which the donor pays to the consolidated fund of the GOK and later the funds are transferred to the National Irrigation Board to settlement various obligations as stipulated in the funding agreement.

Donor A-in-A

These are donor funds which are factored in the National budget and which the donor pays directly to the supplier of goods or services offered to National Irrigation Board to as stipulated in the funding agreement.

m) **Revenue recognition**

i) **Revenue from non-exchange transactions**

Transfers from the Government

Revenues from non-exchange transactions with Government 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.

The revenues are in form of development and recurrent grants respectively.

ii) **Revenue from exchange transactions**

Rendering of services

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

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

Sale of goods

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

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.

IPSAS 9

n) **Investment mortgage**

The Board has an investment mortgage with Development bank of Kenya Ltd, whose aim is to assist staff access loans for assets acquisition at affordable rates.

o) **Investment in Fixed Deposit**

This relate to amounts invested in banks as short term deposits so as to earn interest within the year
The balances in the fixed deposit account is part of the bank balances reported in the financial statements under bank balances.

p) **Contingent Liabilities**

The entity does not recognise 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.
There were no contingent liabilities affecting National Irrigation Board within the year

q) **Subsequent Events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ending June 30, 2017.

r) **Significant judgements and sources of estimation certainty**

The preparation of the entities financial statements in conformity with IPSAS requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. There were no significant judgements or assumptions that affected the entity

s) **Budget Information**

The annual budget is prepared on the accrual basis i.e all planned costs and income are presented in a single statement to determine the needs of the organization. As a result there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and amounts presented as separate additional financial statement in the statement of comparison of budget and actual amounts. The budget figures are those approved by The National Treasury at the beginning and during the year as presented in the printed estimates for 2017-18

IPSAS 24

t) **Operating Risk**

National Irrigation Board did not have any operating lease obligation during the year under review

u) **Related parties**

The Entity 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 CEO and senior managers
Except as disclosed in financial statements, no transactions involving management and others requiring disclosure in the financial statements have been entered into. The identity of and balances and transactions with related parties have been properly recorded and when appropriate, adequately disclosed in the financial statements.

v) **Work in Progress and Retained earnings adjustments**

National Irrigation Board undertakes construction of irrigation infrastructure as one of its core activities. During the construction period all expenses related to the construction works are accumulated under work in progress. After completion the projects are handed over to the beneficiary community. The total cost of construction and related expenses are then adjusted against retained earnings to write them off from the books. This is due to the fact that they are not part of NIB,s assets

1. The first part of the document
describes the general situation
of the project.

2. The second part of the document
describes the specific details
of the project.



5 GOVERNMENT GRANTS

	2018 KSHS	2017 KSHS
Development	3,811,821,113	4,402,499,999
Recurrent	308,000,000	462,800,000
Other grants	25,777,404	14,630,000
Total	<u>4,145,598,517</u>	<u>4,879,929,999</u>

IPSAS 1

These are GOK grants for Development and recurrent expenditures received within the year under review

6 INCOME

	2018 KSHS	2017 KSHS
Operation and Maintenance	83,371,438	136,712,125
Total	<u>83,371,438</u>	<u>136,712,125</u>

IPSAS 9

This refers to operation and maintenance fees charged to farmers for irrigation infrastructure maintenance

7 OTHER OPERATIONAL INCOME

	2018 KSHS	2017 KSHS
Rice Sales	1,050,289	748,180
Seed Income	40,051,353	38,358,505
Interest Income		35,646,463
Farmers Income	14,500	16,800
Other Incomes	116,548,654	48,212,308
Maize Income	124,902,560	172,746,897
Total	<u>282,567,355</u>	<u>295,729,154</u>

IPSAS 9

These are revenues generated from various non core activities as shown above

8 ADMINISTRATIVE EXPENSES

	2018 KSHS	2017 KSHS
Printing & Stationery	6,734,832	7,886,097
Rent & Rates	976,074	766,048
Subscription & Periodicals	2,022,247	2,290,496
Office tea, Beverages & Consumables	9,132,418	11,843,092
Utility Bills	34,111,974	29,862,357
Audit fees	2,320,000	2,648,929
Insurance	18,224,301	14,791,249
General Repairs & Maintenance		385,736
Parking charges	8,700	9,450
Bicycle Expense	69,900	146,400
Bank charges	1,109,028	1,919,595
Total	74,709,473	72,549,449

These are expenditure related to running of the various offices in the various National Irrigation Board Schemes, Projects and Head office

9 STAFF COST

	2018 KSHS	2017 KSHS
Salaries & Wages	446,390,943	432,285,853
Staff Training	12,378,086	12,514,814
Medical Expenses	24,702,347	29,790,053
Staff Uniforms	195,689	402,147
Staff Welfare	2,225,502	2,014,674
Total	485,892,566	477,007,541

These are expenditures related to staff as tabulated above.

10 OPERATING EXPENSES

	2018 KSHS	2017 KSHS
Advertising	3,504,794	8,352,748
Travelling Meals & Accommodation	126,549,686	125,396,449
Guest House Expenses	6,847,989	4,902,525
Licence Charges	2,384,280	24,432,432
Consultancy	49,823,960	68,812,156
Fuel Expenses	118,617,716	80,595,092
Agricultural Expenses	96,696,836	69,377,455
Repairs and Maintenance Expenses	354,506,047	521,988,143
Depreciation Expense	120,689,783	116,941,190
Hire of Equipment	2,462,267	8,896,810
Legal Charges	655,134	23,359,805
Other Expenses	39,332,405	20,569,940
Total	922,070,896	1,073,624,744

These are expenses incurred in the normal course of business as National Irrigation Board discharges its core mandate.

11 BOARD EXPENSES

	2018	2017
	KSHS	KSHS
Board Sitting Allowance	8,284,600.00	15,802,600
Board Mileage Allowance	5,468,812.50	8,058,785
Board Accomodation Allowance	7,053,800.00	16,230,100
Board Lunch Allowance	813,450.00	1,488,660
Board Travel By Air Expense	197,395.00	1,462,414
Board Travel By Road Expense		486,765
Board Training Expense		556,800
Chairman's Honoraria	960,000	1,099,354
TOTAL	<u><u>22,778,058</u></u>	<u><u>45,185,478</u></u>

These are allowances for Board members as they discharge their duties

Notes to Financial Statements for National Irrigation Board 2017-2018

18,579
11,179
7,052
11,396

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10

NATIONAL IRRIGATION BOARD

NOTE 12

FIXED ASSETS MOVEMENT SCHEDULE AS AT 30 JUNE 2018

IPSAS 17

	Irrigation Works & Sewerage	Freehold Land	Buildings	Plant Machinery	Computer	Furniture & Equipment	Tractors & Motor Vehicles	Total
COST:	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
COST 1 st July 2016	3,617,689,375	1,189,586,063	118,871,434	594,946,269	72,510,032	75,406,996	941,044,218	6,610,054,387
Additions	10,107,871	-	10,968,679	15,778,312	2,515,822	558,780	-	39,929,464
Disposals	-	-	-	-	-	-	(10,218,970)	(10,218,970)
Revaluation	-	-	-	-	-	-	-	-
30th June 2017	3,627,797,246	1,189,586,063	129,840,113	610,724,581	75,025,854	75,965,776	930,825,248	6,639,764,881
DEPRECIATION:								
1 st July 2016	13,747,734	-	50,010,012	358,667,631	56,370,618	52,237,502	812,152,159	1,343,185,656
Charge	-	-	1,525,971	30,593,967	8,862,598	3,859,989	51,197,697	96,040,222
Adjustment	(13,747,734)	-	-	13,747,734	-	-	-	-
Disposal	-	-	-	-	-	-	(9,894,817)	(9,894,817)
30 th June 2017	-	-	51,535,983	403,009,332	65,233,216	56,097,491	853,455,039	1,429,331,061
N.B.V 30 th June 2017	3,627,797,246	1,189,586,063	78,304,130	207,715,249	9,792,638	19,868,285	77,370,209	5,210,433,821
COST 1st July 2017	3,627,797,246	1,189,586,063	129,840,113	610,724,581	75,025,854	75,965,776	930,825,247	6,639,764,881
Additions	373,124	-	14,888,567	1,405,196	1,663,043	637,955	32,886,260	51,854,146
Disposals	-	-	-	(29,000)	-	(312,548)	(9,830,829)	(10,172,377)
Revaluation	-	-	-	-	-	-	-	-
30th June 2018	3,628,170,371	1,189,586,063	144,728,680	612,100,777	76,688,897	76,291,183	953,880,678	6,681,446,650
DEPRECIATION:								
1 st July 2017	-	-	51,535,983	403,009,332	65,233,216	56,097,491	853,455,039	1,429,331,061
Charge	-	-	3,822,971	32,354,133	6,977,413	3,107,972	68,855,881	115,118,370
Adjustment	-	-	-	(29,000)	-	(312,548)	(9,830,829)	(10,172,377)
Disposal	-	-	-	-	-	-	-	-
30 th June 2018	-	-	55,358,954	435,334,465	72,210,629	58,892,915	912,480,091	1,534,277,054
N.B.V 30 th June 2018	3,628,170,371	1,189,586,063	89,369,726	176,766,312	4,478,269	17,398,268	41,400,587	5,147,169,596

NOTE 13. INTAGIBLE ASSETS MOVEMENT SCHEDULE AS AT 30 JUNE 2018
COMPUTER SOFTWARE FOR WAN, LAN AND ERP

Cost 1st July 2016	117,444,707
Additions	3,990,000
Disposals	-
Revaluation	-
30th June 2017	121,434,707
DEPRECIATION:	
1st July 2016	89,762,206
Charge	20,900,968
Revaluation	-
Disposal	-
30th June 2016	110,663,174
N.B.V 30th June 2017	10,771,533
Cost 1st July 2017	121,434,707
Additions	4,821,711
Disposals	-
Revaluation	-
30th June 2018	126,256,418
DEPRECIATION:	
1st July 2017	110,663,174
Charge	5,571,413
Revaluation	-
Disposal	-
30th June 2018	116,234,587
N.B.V 30th June 2018	10,021,831

The intangible assets referred to in this note are the various softwares procured by National Irrigation Board e.g ERP system and fleet management system and GPRS systems.

STANDARD FORM NO. 64
MAY 1962 EDITION
GSA FPMR (41 CFR) 101-11.6

STANDARD FORM NO. 64
MAY 1962 EDITION
GSA FPMR (41 CFR) 101-11.6



14 WORK IN PROGRESS

	2018 KSHS	2017 KSHS
Work in progress b/f (see attached schedule)	18,451,085,625	15,014,397,659
Additions during the period	4,645,573,212	5,458,263,591
Transfer of completed projects to retained earnings	(5,958,077,975)	(1,979,612,467)
Stale cheques written back	-	(34,798,682)
WIP adjustments	3,058,216,610	-
Transfer of WIP to buildings	-	(7,164,475)
	<u>20,196,797,472</u>	<u>18,451,085,625</u>

Work in progress refers to on going projects on irrigation infrastructure development which have not been handed over to the beneficiary community. Refer to Note 30 for detailed schedule and policy 'x' for disclosure and treatment.

15 LONG TERM INVESTMENTS

Mwea Rice Mills Ltd. 55% shareholding 137,500 shares of Kshs 20 Par Value	2,750,000	2,750,000
Western Kenya Rice Mills Ltd 60% shareholding 252,000 shares of Kshs 100 Par Value	25,200,000	25,200,000
	<u>27,950,000</u>	<u>27,950,000</u>

The amounts of Mwea Rice Mills Ltd and Western Kenya Rice Mills refers to the Par Values of the shares invested in the two companies as stated above.

The investments of Kshs. 27,950,000 are Government investments in areas under irrigation. This is Government effort to promote the economy of such areas and as such these investments are not of commercial nature.

The equivalent of the various investments is the contribution of Kenya government through National Irrigation Board.

For consistency they are valued at cost until the Government decides to sell them. That is when the actual market value will be attained.

16 INVESTMENT MORTGAGE

IPSAS 30

	2018 KSHS	2017 KSHS
Investment in Kenya Development Bank		
Balance B/F	186,378,362	178,183,352
Interest for the period	7,213,415	8,195,010
	<u>193,591,777</u>	<u>186,378,362</u>

This relate to amount invested for staff mortgage. Refer to policy 'n' on page 7.

17 INVENTORIES

	2018 KSHS	2017 KSHS
A General Store	8,227,773	7,992,396
B Workshop Store	56,252,522	59,362,009
C Input Store	17,987,023	15,599,916
D Paddy Store	11,288,652	23,860,737
E Farm Produce Store	1,537,745	1,229,175
TOTAL	95,293,715	108,044,233

As at June 30, 2018 we had 14,869 bags of maize each weighing 50 Kgs stored at National Cereals and Produce Board store awaiting sale. The value will be captured in the books on sale of the produce.

18 RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2018 KSHS	2017 KSHS
A Staff Imprests	12,590,850.44	36,350,701
B Trade	127,060,540.97	2,710,506
C Farmers	382,808,562.12	354,870,890
D Others	239,947,346.35	230,882,623
E Provision for bad debts	-499,674,703.96	-501,257,096
TOTAL	262,732,596	123,557,624

19 CASH AND CASH EQUIVALENTS

	2018 KSHS	2017 KSHS
A Cash Balances	1,483,416.41	1,563,999
B Bank Balances	1,575,907,666.68	1,386,976,392
Total	1,577,391,083	1,388,540,391

The bank balance amount refer to all monies held in all bank accounts of National Irrigation Board. The cash balance refers to all monies held in cash form in all cash offices of National Irrigation Board

20 RETAINED EARNINGS

	2018 KSHS	2017 KSHS
Balance b/ f	16,282,172,345	14,606,538,943
Excess/Deficit for the year	3,006,086,316	3,644,004,066
Retained earnings adjustment	(3,316,143,321)	(1,968,370,664)
Balance c/f	15,972,115,340	16,282,172,345

The adjustments in the retained earnings are as disclosed in note 11 above.

21 DEVELOPMENT FUND

IPSAS 1

Up to 30th June, 1992 the price structure for rice sales by the National Irrigation Board to the National Cereals & Produce board set aside an amount of Shs 2.50 per bag of rice towards a development fund. These funds were used where necessary to defray losses. The amount which was received into the fund for purposes of defraying losses as at 30th June 2002, the position which still remains to date are as follows:-

	2018 KSHS	2017 KSHS
MWEA	10,129,501	10,129,501
AHERO	908,490	908,490
BUNYALA	207,916	207,916
WEST KANO	449,313	449,313
	<u>11,695,220</u>	<u>11,695,220</u>

22 CAPITAL FUND

	2018 KSHS	2017 KSHS
Balance brought forward	694,921,649	694,921,649
Additions during the year	-	-
Balance C/Forward	<u>694,921,649</u>	<u>694,921,649</u>

23 JICA FUND

IPAS 5

	2018 KSHS	2017 KSHS
Balance b/f	1,993,471,957	1,541,594,513
Received within the year	1,620,632,681	451,877,444
Balance c/f	<u>3,614,104,638</u>	<u>1,993,471,957</u>

The cumulative amounts refer to donations by the Government of Japan in form of capital items and loan to the Kenya government for improvement of Mwea Irrigation Scheme

24 BADEA FUND

IPAS 5

	2018 KSHS	2017 KSHS
Balance brought forward	610,743,825	561,601,248
Received within the year	33,363,659	49,142,577
Balance C/Forward	<u>644,107,484</u>	<u>610,743,825</u>

Kenya Government Loan from BADEA in respect of Bura, Tana and Kayatta Irrigation schemes rehabilitation and development

25 KUWAIT FUND	2018	2017	IPAS 5
	KSHS	KSHS	
Balance brought forward	497,530,564	394,554,800	
Work in progress during the year	57,901,581	102,975,764	
Balance C/Forward	<u>555,432,145</u>	<u>497,530,564</u>	

These are grants by the Government of Kuwait to fund the rehabilitation of Bura Irrigation scheme

26 OFID FUND	2018	2017	IPAS 5
	KSHS	KSHS	
Balance brought forward	125,760,463	88,918,104	
Work in progress during the year	25,012,849	36,842,359	
Balance C/Forward	<u>150,773,312</u>	<u>125,760,463</u>	

These are grants from Opec Fund for International Development for the rehabilitation of Bura irrigation

27 DOUBLE CROP GRANT	2018	2017	IPSAS 1
	KSHS	KSHS	
Kenya Government Grant in respect of Mwea	27,707,439	27,707,439	
	<u>27,707,439</u>	<u>27,707,439</u>	

The grant was for the double crop in Mwea Scheme which was irredeemable and interest free hence the amount remains constant.

28 BANK OF LEUMI ISRAEL	2018	2017	IPAS 5
	KSHS	KSHS	
Balance brought forward	1,702,008,002	561,786,432	
Received within the year	1,741,125,320	1,140,221,570	
	<u>3,443,133,322</u>	<u>1,702,008,002</u>	

This is a loan from Israel Government for development of Galana Kulalu food security project

29 PAYABLES FROM EXCHANGE TRANSACTIONS	2018	2017	IPSAS 1
	KSHS	KSHS	
Trade	1,786,047,320.19	1,820,266,052	
Contractors	385,374,469.27	1,349,839,372	
Consultants	183,276,142.09	335,369,274	
Gratuity Provision	12,392,294.65	30,680,188	
Others	29,867,294.23	24,595,240	
TOTAL	<u>2,396,957,520</u>	<u>3,560,750,127</u>	

Payables from exchange transactions refer to obligations by National Irrigation Board to various service providers as categorised above.

30 Related Party Balances**a) Nature of related party relationship**

The Entity 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 CEO and senior managers

The entity is related to:

- i) National Government
- ii) Ministry of Water & Irrigation
- iii) Board members
- iv) Key Management

b) Transactions with related parties

	2018 KSHS	2017 KSHS
Transfers from Ministry of Water & Irrigation parties	4,119,821,113	4,879,929,999
Transfers to related parties	-	-
Net Balance	4,119,821,113.00	4,879,929,999.00

c) Key Management remuneration

	2018 KSHS	2017 KSHS
Directors	22,780,178	45,392,238
Key Management remuneration	21,902,698	20,453,128
Net Balance	44,682,875.50	65,845,366.00

d) Due from related parties

	2018 KSHS	2017 KSHS
Due from Ministry of Water & Irrigation parties	-	-
Transfers to related parties	-	-
Net Balance	-	-

e) Due to related parties

	2018 KSHS	2017 KSHS
Due to Ministry of Water & Irrigation parties	-	-
Due to other related parties	-	-
Net Balance	-	-

31 FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The entity's financial risk management objectives and policies are detailed below:

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking

	Total amount Kshs	Fully performing Kshs	Past due Kshs
At 30 June 2018			
Receivables from exchange transactions	133,403,438	133,403,438	-
Receivables from non exchange transactions	-		
Bank balances	1,589,138,192		
Total	133,403,438	133,403,438	-
At 30 June 2017			
Receivables from exchange transactions	123,557,624	123,557,624	
Receivables from non exchange transactions	-		
Bank balances	1,388,540,391		
Total	1,512,098,015	123,557,624	-

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is

The entity has significant concentration of credit risk on amounts due from farmers

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk

(ii) Liquidity Risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 3 months Kshs
At 30 June 2018			
Trade payables	856,927,706	372,079,000	1,142,048,929
Current portion of borrowings			
Provisions			
Deferred income			
Employee benefit obligation			
Total	856,927,705.67	372,078,999.83	1,142,048,928.50
At 30 June 2017			
Trade payables	468,072,312	526,302,558	2,566,375,257
Current portion of borrowings			
Provisions			
Deferred income			
Employee benefit obligation			
Total	468,072,312	526,302,558	2,566,375,257

(iii) Market Risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit

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

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2018			
Financial assets (investments, cash ,debtors)	xxx	xxx	xxx
Liabilities			
Trade and other payables	xxx	xxx	xxx
Borrowings	xxx	xxx	xxx
Net foreign currency asset/(liability)	xxx	xxx	xxx

The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2017			
Financial assets (investments, cash ,debtors)	xxx	xxx	xxx
Liabilities			
Trade and other payables	xxx	xxx	xxx
Borrowings	xxx	xxx	xxx
Net foreign currency asset/(liability)	xxx	xxx	xxx

Foreign currency sensitivity analysis

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable possible

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2018			
Euro	10%	xxx	Xxx
USD	10%	xxx	Xxx
2017			
Euro	10%	xxx	Xxx
USD	10%	xxx	Xxx

b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's

Management of interest rate risk

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

Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable.

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value (Continued)

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

At 30 June 2018			
	Level 1 KShs	Level 2 KShs	Level 3 KShs
Financial Assets			
Quoted equity investments	xx	xx	xx
Non- financial Assets			
Investment property	xx	xx	xx
Land and buildings	xx	xx	xx
	xx	xx	xx
At 30 June 2017			
Financial Assets			
Quoted equity investments	xxx	xxx	xxx
Non- financial Assets			
Investment property	xxx	xxx	xxx
Land and buildings	xxx	xxx	xxx
	xxx	xxx	xxx
At 30 June 2018			
Financial Assets			
Quoted equity investments	xxx	xxx	xxx
Non- financial Assets			
Investment property	xxx	xxx	xxx
Property, plant and equipment	xxx	xxx	xxx
	xxx	xxx	xxx
At 30 June 2017			
Financial Assets			
Quoted equity investments	xxx	xxx	xxx
Non- financial Assets			
Investment property	xxx	xxx	xxx
Land and buildings	xxx	xxx	xxx
	xxx	xxx	xxx

There were no transfers between levels 1, 2 and 3 during the year.

Fair value of financial assets and liabilities

a) Financial instruments not measured at fair value (Continued)

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

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

	2017-2018	2016-2017
	KShs	KShs
Revaluation reserve		
Retained earnings	15892004352	16282172344
Capital reserve	694,921,649	694,921,649
Total funds	16586926001	16977093993
Total borrowings		
Less: cash and bank balances	1,505,330,029	1,388,540,391
Net debt/(excess cash and cash equivalents)		
Gearing	0	0

NATIONAL IRRIGATION BOARD

APPENDIX I: FOLLOW UP OF AUDITOR RECOMMENDATIONS ON NATIONAL IRRIGATION BOARD FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

1. PROPERTY, PLANT AND EQUIPMENT

a) Free Hold Land

As previously reported, the property, plant and equipment balance of Kshs. 5,210,433,820.00 as at 30 June, 2017 excludes the value of trust land in seven (7) schemes equivalent to 75,509 Acres but in respect of which ownership documents have not been obtained. Further, they have been omitted in the fixed asset register.

The total acreage of the unrecorded land is as shown below;

SCHEME	AREA IN ACRES
Ahero	4350
Bunyala	1734
Bura	16,750
Hola/Tana	12,000
Perkerra	5875
Mwea	30,350
West Kano	4450
TOTAL	75,509

RESPONSE

(a) To date management has not acquired titles of trust land in nine (9) schemes. However, land in Mwea Perkerra, and Ahero ,West Kano and Hola-Tana Irrigation Schemes are designated as irrigation areas through gazettment as detailed in the table below:

Area in Acres	Setting Apart Through Gazettment as per irrigation act cap 347
Mwea	Gazetted Land Gazette Notices Nos. 3090, 3093, 3095, 3096, 3097,
Bunyala	To be regularized under the Lower Nzoia Irrigation Project
Perkerra	Gazetted Land
Ahero	Gazetted Land
West Kano	Gazetted Land
Hola - Tana	Gazette Notice No 274 of 1963

During gazettment, the land to be set apart is demarcated and boundaries on the grounds shown complete with a plan registered at the lands office. An advisory opinion on acquiring titles on land set apart will be sought from the National Land Commission and the Attorney General's office necessitated by the extensive changes in the country's land laws since the promulgation of the new constitution the recent being community land act of 2016.

This being trust land with no title deeds it is not possible to get the cost to incorporate in the financial statements.

Focal Point Person to Resolve- Mr. Aroka- Company secretary

Status: Not resolved

Time frame:

b) Building Materials

Examination of the fixed assets register revealed that the balance reported under buildings of Kshs.78,304,130.00 as at 30 June 2017 included the cost of building materials amounting to Kshs.28,787,614.00.The building materials in question are not attributed to any specific building.

It was further observed that the asset register does not have a list of the Board's buildings.

In view of the above, it has not been possible to confirm the accuracy and completeness of the property, plant and equipment balance of Kshs. 5,210,433,820 as at 30 June 2017.

RESPONSE

The recording of building materials in the books of accounts was an accumulation of expenses related to construction of various buildings in the Schemes which in some cases many units were constructed at once. However the materials were not attached to a specific building neither the splitting of the total cost to each unit was done as observed by the auditor. National Irrigation Board will engage the services of the Ministry of Public Works to do a valuation of all NIB houses in line with IPSAS and necessary adjustments will be done in the assets register.

Focal Point Person to Resolve- Chief Engineer- Construction

Status : Not resolved

Time frame :

2. Cash and Cash Equivalents.

a) Barclays Bank of Kenya-Queensway House(BBK826) Account No. 0945036826

(i)The reconciliation statement for June 2017 includes payments in the bank and not recorded in the cash book amounting to kshs. 2,555,402.35. It was not possible to ascertain what the payments relate to.

RESPONSE

National Irrigation Board has enquired from the bank on the Ksh 343,469.90 and the bank has responded that National Irrigation Board bought Treasury bills. However National Irrigation Board had not given any instructions to that effect and we are still pursuing the matter with the bank. Ksh 2,134,555.90 relates to a payment made to Lilian G.Kimani and which the bank debited twice. The management is making follow up with the bank. Ksh 77,376.55 was a double payment to War Memorial hospital Nakuru for a staff medical bill. War memorial hospital has refunded the overpayment as per attached copy of cheque and receipt which will be cleared in 2017-18 FY.The management is following up with the bank on the other two figures. Refer to annex I .

Focal Point Person to Resolve- Chief Officer Finance

Status : Resolved

b) CO-OPERATIVE BANK OF KENYA (CPB 900) ALC NO 01136128012900

(i) Receipts in Bank Statement not yet recorded in the Cashbook kshs. 5,000,000.00

The reconciliation statement as at 30 June 2017 includes Kshs. 5,000,000.00 described in the recurrent account bank reconciliation statement as receipts in bank statement not yet recorded in the cashbook referenced LGKE150080347C and dated 14.4.2016.

RESPONSE

The management has established that this was payment to the institution for performance guarantee from Grand traders limited. The performance bond was credited after the contractor failed to deliver on the execution of construction works of awagdera water pan in Garisa county. Necessary adjustments in the books will be done in 2017-2018. Refer to annex II

Focal Point Person to Resolve- Chief Officer Finance

Status : Resolved

(c). BARCLAYS BANK OF KENYA- KISUMU ALC NO 0091010127

Included in the reconciling items in the bank reconciliation statement as at 30 June 2017, is an amount of kshs. 415,787.05 described as historic uncredited receipts. The amounts were not analyzed and thus could not establish what they relate to and for how long they have been outstanding.

Also included in the reconciling items is an amount of Ksh. 44,076.27 described as a cash book overcast which is not dated. No explanation was offered as to what it relates to.

In view of the above it has not been possible to confirm the accuracy of cash and cash equivalent balance of kshs. 1,388,540,391 as at 30 June 2017.

RESPONSE

The management has reconciled the account and established that the error was arising from electricity bills for Ahero pumping station. A voucher to capture the same is hereby attached. This will therefore clear in 2017-18 .Annex III

Focal Point Person to Resolve- Chief Officer Finance

Status : Resolved

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

i) Long Outstanding Debts

Included in the receivables from exchange transactions (Note 15) balance of Kshs 624,814,720, Kshs, 501,257,096 or 80% were provided for as bad debts. It was observed that trade debtors, Farmers and other debtors were all historical figures carried forward for unknown number of years.

ii). Suspense Account-Sundry Debtors

Also included in the other debtors' balance of Kshs. 230,882,623 is an amount of kshs. 34,280,229.29 which does not relate to any specific debtor but instead classified as other trade debtors (Kshs. 11,098,611.60), Sundry debtors (Kshs. 23,142,117.76) and other debtor (Kshs. 39,499.93) which has been outstanding but the board has not reconciled or explained.

RESPONSE

As observed by the auditor, the debtors Kshs. 501,257,096 are historical figures which include

1. Kshs 276,191,374.57 owed by farmers that dates back to 1998. These are debts which have the management is recommending for write off as there is no mechanism of recovering the same from the farmers.
2. Kshs.34,280,229.29 which does not relate to any specific debtor but instead classified as Other trade debtors(Kshs.11,098,611.60), sundry debtors (Kshs.23,142,117.76) and Other

debtor (Kshs.39,499.93). The debtor ledger for this class is unavailable due to the handing over lapse that was occasioned by massive retrenchment in 1998. The management through the board of directors will seek approval from the national treasury for write off.

Notably, the figures date back to beyond 1998 when National Irrigation Board retrenched its staff leaving a skeleton staff resulting in insufficient handing over which was exacerbated by manual accounting systems. As a result, it has been a challenge to reconcile some of the debtors thus, this has been recommended for write off.

Focal Point Person to Resolve- Chief Officer Finance

Status : Not Resolved

Time frame: 2018-19 FY

iii) Inter Company Transactions

a) Mwea Rice Mills Ltd

Included in other debtor's balance of kshs. 230,882,623 as at 30 June 2017, is a balance of Kshs. 67,737,278.00 being balance owing from Mwea Rice Mills Limited. In the books of Mwea Rice Mills Limited the same balance is reflected as kshs 40,410,431.00 resulting to an unexplained difference of Kshs. 27,326,847.

Focal Point Person to Resolve- Chief Officer Finance

Status : Not Resolved

Time frame: 2018-19 FY

b) Western Kenya Rice Mills Ltd

Similarly, included in the debtors' balance is an amount of Ksh. 73,457,601.04 being a balance due from Western Kenya rice Mills. In the books of the company, the same balance is given as 26,426,152.00 resulting in an unexplained and unreconciled balance of Kshs. 47,031,449.04

In view of the above it has not been possible to confirm the accuracy and recoverability of the receivables from exchange transactions balance of kshs. 123,557,624 as at 30 June 2017.

RESPONSE

Transactions between National Irrigation Board and Mwea Rice Mills Ltd date back to 1966 when the mills was opened. National Irrigation Board will reconcile its books with Mwea Rice Mills Ltd and Western Kenya Rice mills Ltd to establish the correct position with a view of settling the respective debts.

Focal Point Person to Resolve- Chief Officer Finance

Status : Not Resolved

Time frame: 2018-19 FY

3. CURRENT LIABILITIES

(i) Outstanding Kenya Revenue Authority Dues

As previously reported, included in the payables from exchange transactions balance of Kshs. 3,560,750,127 as at 30 June 2017 is a balance of Kshs. 973,391,569.29 due to Kenya Revenue Authority which has been outstanding over a long period.

However, the management has not explained how it intends to settle the balance. Further, interest and penalties on the outstanding balance have not been recognized in the Board's books of account thus understating the balance reported by accrued interest/levies which Kenya Revenue Authority may impose.

This amount has risen considerably by 36% as compared to the previous year amount of Kshs. 623,242,634.

RESPONSE

National Irrigation Board has been facing funding challenges from the government in the last three years. This includes budget cuts which has adversely affected our cash flow. We have been clearing the KRA dues as we receive funding .We shall however endeavor to clear the outstanding dues as we receive more funding from the government to settle pending bills. National Irrigation Board has made a commitment to make part payments until the whole debt is cleared.

Focal Point Person to Resolve- Chief Officer Finance

Status : Not Resolved

Time frame: 2018-19 FY

ii) Long Outstanding Trade Payables

Included in Current liabilities-payables from exchange transactions balance of Kshs. 3,560,750,127 as at 30 June 2017 is an amount totaling Kshs. 407,257,813.39 due to various contractors, consultants and other trade payables which has remained outstanding for more than one year. The audit could not establish why the Board has not prioritized the settlement of those outstanding amount and the criteria it uses to settle debts.

In the circumstance, the audit could not establish the accuracy and completeness of the account balance.

RESPONSE

As explained above, National Irrigation Board has been facing funding challenges from the government in the last three years. This includes budget cuts which has adversely affected our cash flow. We shall however endeavor to clear the outstanding dues as we receive more funding from the government to settle pending bills. The priority has been to settle ongoing projects near completion to show results in line with our mandate as we also endeavor to clear long outstanding bills.

Focal Point Person to Resolve- Chief Officer Finance

Status : Not Resolved

Time frame: 2018-19 FY

iii)Retention Money

- Included in the balance for trade payables of Kshs. 3,560,750,127 is an amount of Kshs. 392,448,787.73 referred to as retention money. However, the analysis provided for the retention account and reconciliation statement of the account which is held at Co-operative Bank Account No.01136128012902 as at June 2017, both reflects balance of Kshs. 109,528,989 resulting in an unexplained and unreconciled difference of Kshs. 282,919,798.73.

RESPONSE

The two figures referred to above are two distinct GL accounts. The amount of Ksh 392,448,787.73 is the amount that the ERP system accumulates to the retention GL account for settlement to Contractors after expiry of the defects liability period. The management decided it was prudent to put it in a separate account for ease of administration. This money is supposed to be transferred from the main bank account to the retention bank account pending the defect liability period expiry. However, due to the funding and cash flow challenges explained above, the management has not been transferring funds from the main account to the retention account thus the discrepancy between the retention accounts which is a payable and the bank account. The variance therefore does not need any adjustments in the financial statements as one is a vendors GL and the other is a bank account .The action required is funds transfer Ksh 282,919,793.73 from the main operations bank account to the retention bank account to reflect what is in the retention general ledger posting. This

will be done once National Irrigation Board receives funding from The National Treasury.

Focal Point Person to Resolve- Chief Officer Finance

Status : Resolved

Time frame: n/a

iv) Water Resources Management Authority (WARMA)

Included in the statement of financial position is payables from exchange transactions balance of Kshs. 3,560,750,127 as at 30 June 2017 comprising of various outstanding balances. Included in trade payables amount is Kshs. 20,981,308.38 indicated as owing to Water Resources Management Authority.

However, upon verification from WARMA books, the amount indicated as receivable from the Board is Kshs. 26,820,103.97 resulting to unexplained variance of Kshs. 5,838,795.59.

In view of the above it has not been possible to confirm the accuracy of payables form exchange transactions of Kshs. 3,560,750,127 as at 30 June.

RESPONSE

National Irrigation Board requested a statement of account from Water Resources Authority to facilitate reconciliation to establish as to what they might have posted as owed which may not have reached our side for posting. They have not responded as at the time of this response. Necessary reconciliation will be carried out once we receive the statement and any outstanding dues settled.

Annex IV.

Focal Point Person to Resolve- Chief Officer Finance

Status : Resolved

Time frame: n/a

4. Galana Kulalu Food Security Project Expenditure

Under-utilization of leased land

During the year under review, the Board spent Kshs. 1,597,068,997 on Galana Kulalu Food Security Project. However, an examination of information and documents availed indicated that the model farm is covering 10,000 acres out of the 20,000 acres leased. The remaining 10,000 acres are idle and will remain idle since they were not included in the model farm programme. Management did not explain as to why they leased 20,000 acres of land when they required only 10,000 acres.

The Board from the inception of the Project has paid Kshs. 150, 000,000.00 as analyzed below:

Financial Year	Amount(Kshs)
2013-2014	50,000,000.00
2014-2015	70,000,000.00
2015-2016	30,000,000.00
TOTAL	150,000,000.00

The audit could not establish why the Board leased 20,000 acres and only utilized 10,000 acres but making lease payments for 20,000 acres.

RESPONSE

During the year under review National Irrigation Board (NIB) has not done any payments for lease. Plans are at an advanced stage to hand over the farm back to ADC who are the owners for production

since NIB has achieved its mandate which is infrastructure development. The Board approved the leasing of 20,000 acres based on water available in river Galana. The Model Farm occupies 10,000 acres. The National Irrigation Board then planned to develop the next 10,000 acres but this has been delayed by lack of funds. Board minutes are attached. Annex V

Focal Point Person to Resolve- Deputy General Manager(ES)

Status : Resolved

Time frame: n/a

Emphasis of Matter.

1. **Mukengesya Irrigation scheme, Development Project (nib/t/100/2013-2014)**
kshs.70,252,600

Value for money for the Construction of Mukengesya Water Pan and Irrigation Development Project, kshs. 70,252,600

Besides the Resident Engineer for the above mentioned project certifying successful completion of the project and in his payment for taking over certificate indicating a snag list for allowing for maintenance during defects liability period of Kshs. 3,000,000 the following were noted;

- **Irregular Change in Cope of Works Carried Out**

As at substantial end of the project duration and payment for taking over certificate raised, the excavation of reservoir was valued at Kshs.58,952,550 against priced Bill of quantities amount of Kshs.42,745,000. This was attributed to existence of extended prevalence of rock formations on the

site.

However, the audit established that the Board might not have carried out a recent geotechnical survey of the area immediately before procurement process commenced so that correct billing could have been tabulated, further, there was no evidence of a Trial Pit Certificate (TPC) raised.

- **Unapproved Change in Initial Terms/Specifications of the Contract**

As per the requisition done by the Mukengesya self-help group, key among other things that they wanted done besides the construction of water pan for domestic and irrigation purposes included;

1. assistance in construction of modern greenhouses,
2. water tanks
3. and piping of greenhouses.

This was approved and factored for in the priced bill of quantities during procurement process. This was however not achieved in some cases as at end of the project period as highlighted below;

BILL NO.	DESCRIPTION	BILL ITEM	BOQ AMOUNT	TOTAL AMOUNT	DESCRIPTION OF WHAT WAS ACHIEVED
5	Supply of pumps and pipes	Supply of 4 no, 5Hp pumps preferably honda with	2,412,000	916,800	2No, 5 Hp pump supplied

		discharge of 4.55 l/s			
6	Construction of stands	Supply of 5No.10m3 plastic tanks	949,000	949,000	1No.10m3 plastic tank supplied and installed
7	Supply of greenhouses	Supply of 15No. greenhouses	9,000,000	1,200,000	1 No greenhouse installed
TOTAL			63,866,000	66,958,350	
10% CONTIGEN- CIES			6,386,600		
GRAND TOTAL			70,252,600	66,958,350	

The project ended up incurring more cost on excavation of reservoir, however there was no evidence of approved authority to change the above terms. Further, despite the above not being achieved, the cost remained the same.

The audit therefore could not establish if the priced Bill of Quantities reflected the correct position of the project before initiation of procurement process.

It was also noted that the above highlighted issues notwithstanding, the percentage of completion stated in the certificate appeared to be higher than the actual work done and therefore, the value for money for the amount of Kshs. 70,252,600 could not be confirmed.

RESPONSE

- The Engineer sought approval from the Employer to vary the scope of works in order to undertake excavation in rocky subsurface formation to attain the design volume of the water pan. This was after a request by the community to deepen the water pan. **See Geotechnical Survey Report attached.** The Employer approved and recommended the presentation of the report to tender committee for consideration. The approval was granted and an addendum signed as attached.
- In the signed addendum there was no variation in the overall project of KShs 70,252,600. Therefore, the cost to undertake the additional excavation on rock was catered for through reduction of the quantities of the greenhouses, supply of tanks and pumps. **See attached signed addendum.**
- The project was fully completed as per the new approved quantities in the addendum and the completion certificate is hereby attached. Annex VI(a), (b), (c) and (d)

Focal Point Person to Resolve- Deputy General Manager(ES)

Status : Resolved

Time frame: n/a

1. Construction works of Rahole Canal Phase ii Irrigation Scheme Development Project (NIB/T/160/2012-2013), KSHS. 300,356,375

- **Deferment of works to defects liability period**

The defects liability period for the above phase was for the period starting from 30th January 2015 to 30th January 2016.

Substantial completion certificate of phase II was issued of Kshs. 25,879,738.55. The remaining items which include the following were to be done during the above defects liability period;

SNAG LIST

S/NO.	BILL NO.	DESCRIPTION	AMOUNT
1	1(1.3)	Purchase and supply of office furniture	500,000
2	1(1.5)	Allowance for supervision of works	1,519,494
3	1(1.9)	Allow for farmers sensitization	5,000,000
4	2(2.4)	Rock blasting	3,248,000
5	4(4.2.5)	Construction of riprap	4,517,240
6	4(4.2.8)	Installation of gabion protection	32,961,750
7	4(4.2.9)	Fabricate and fix screen for gully crossing	50,000
TOTAL			47,796,484

The audit could not establish if the contractor would be in a position to finish the about outstanding works as at end of defects liability period.

Due to the above, the audit could not establish the accuracy and value for money for the payment of Kshs. 32,017,134 during the period under review.

RESPONSE

- The Contractor was expected to undertake the works in the snaglist as per the substantial completion certificate valued at KShs 47,796,484. However, by the end of defects Liability period he had only done works valued at KShs 8,846,385.5 for which payment was done.
- The Employer will engage another contractor to undertake the outstanding works valued at KShs 38,950,098.50
- During the period under review, no such payment of KES 32,017,134 was ever paid.

Focal Point Person to Resolve- Deputy General Manager(ES)

Status : Resolved

Time frame: n/a

**2. Bura irrigation settlement scheme rehabilitation project (NIB/T/046/2010-2011),
Kshs. 7,355,829,104**

- **Failure to carryout geotechnical investigation**

It was highlighted that soil strata differed from that of the tender and the contractor met with hard soils/ soft rock in the new gravity canal works, which had reduced the productivity per working set of equipment's deployed. The audit could not establish why investigation was not carried out in the new gravity canal works section.

- **Delay in completion of the project**

As reported previously, the company was awarded the project despite its bad past record. As at 30th June 2017, two years after the expected completion date, the project is still lagging behind.

- **Pricing risk**

The contractor was executing works at quoted rates which were worked out on the baseline pricing of 2011. This therefore exposing the project to possible escalation on the cost of non-specified materials as some of them the cost might have already shot up.

RESPONSE

- Geotechnical investigations were carried out . This is included in the final design report of February 2010 section 3.4. See attached Annex XII

Focal Point Person to Resolve- Deputy General Manager(ES)

Status : Resolved

Time frame: n/a

Other Matter

1. Bank Loan for Galana Kulalu Food Security Project

As previously reported, the Board took a bank loan of US \$ 71,408,014 (Kshs. 7,283,617,428)

From the Bank of Leumi Isreal for the construction works for 10,000 acres model farm for the Galana Kulalu Food Security Project. However, most of the loan terms are not to the best interest of the Kenyan tax payers. The loan interest will be determined from time to time by the bank depending on the prevailing economic conditions (Clause 6). The borrower will pay any additional costs the bank will incur while mobilizing the funds for loan disbursement (Clause 7). The Board confirms the Bank's books and account entries in relation to this loan to be correct and binding to the Board (Clause 24). The borrower will not be entitled to contest any payment made by the Bank and may not justify its failure to fulfil its payment obligation in accordance with the terms and conditions of the agreement.

Therefore, the conditions, of this loan are in favor of the Bank and not the Board. Also the repayment of the loan principal and interest are not clearly defined in the loan agreement.

In the circumstances, the National Irrigation Board and the Government of Kenya risks paying more than expected in the absence of clearly spelt out borrowing terms.

2. Delay in completion of the following projects

(a) Galana/Kulalu food Security Project Kshs.14,545,106,963.00

Examination of files correspondences and contract documents revealed the following anomalies;

- The project contract was signed on 20th August, 2014 between the Board and Green Arava Limited and the site handed over on 11th September,2014 as is indicated in a Memo reference GM/G/548 dated 3rd February,2015 which means therefore that the project had at the time of audit taken forty-four months (44) had not been handed over to client. fourteen (14) months down the line.
- The General Manager vide his letter to the Cabinet Secretary Ref: NIB/HQ/G1/51(107) dated 19th December,2017 enumerated various issues which brought about the delay and heavily impacting on the Board and the Government. The General Manager pointed out four(4) aspects which have consequently brought about the delay viz avis;
 - I. weakness of the contract
 - II. weakness of the contractor
 - III. challenges faced by the employer
 - IV. time analysis

The letter by the General Manager revealed the procurement process of the project was flawed and was poorly planned.

Under the weakness of the contract the following anomalies were sighted;

- i) The financing agreement is tied to the Contractor and therefore all proceeds for the loan due to the contract can only be channeled through the Contractor. This gives the Contractor an upper hand and leaves the Employer at the mercy of the Contractor,
- ii) Single sourcing of the contractor. This favoured the contractor against competitive bidding, pricing, capacity and competence,
- iii) The Contract provides for advance payment under Operation and Maintenance bill e.g. payment for experts under operation and maintenance which may lead to underperformance,
- iv) The Contract provides for payment for items on account of Bill of Lading before installation. This may lead to delay to implementation,
- v) Exclusion of operation and maintenance bill out of the performance bond exposing the Employer to under security,
- vi) Conflict of interest as the designing firm is associated with the implementing firm (Contractor) leading to poor designs requiring frequent reviews and interpretations,
- vii) The production component of the contract was pegged on area without emphasizing on production output targets which has sometimes led to underperformance.

Further the letter highlighted the weaknesses on the part of the contractor are as enumerated below;

- i) Low Capacity to implement the contract as per the work programme resulting to the contract works being behind schedule,
- ii) Failure to avail key personnel to man various sections as per the contract requirements,
- iii) Failure to comply with instructions within reasonable time issued contractually for the works thus leading to disputes on payment, especially, on lump sum items. So far 70 instructions have been issued with unsatisfactory compliance.

In contract document between the Board and Green Arava it was noted that a very key ingredient of such technologically advanced project there was no mention of transfer of knowledge of manning the infrastructure installed after the contractor exits the site.

Focal Point Person to Resolve- Deputy General Manager(ES)

Status : Resolved

Time frame: n/a

**(b) Kalundu Kitui clusters Irrigation Scheme Development Project, phase ii, Kitui County-
kshs.16,982,900.00**

Examination of documents in regard to Kitui Clusters Irrigation Project, Phase II revealed the following observations/findings;

- The contract No. NIB/T/106/2013-2014 awarded to Aventure Ltd at an amount of Kshs. 16,982,900.00 and notification for the award date is 18th December,2014 was to take twelve (12) months that is from 1st March,2015 to 1st March,2016.However,the contract was signed on 10th February, 2015 and the Board modified the completion date from 1st March, 2016 to 30th September,2016
- The contractor Aventure Ltd was to take twelve (12) months but has taken over thirty six(36) months.
- A default notification letter dated 30th June, 2017 was written by the Deputy General Manager(ES) Ref: NIB/HQ/K1/74A (33) bringing to the attention of the Contractor on the following issues

- On failure to secure an extension of the contract period which ended on 30th September 2016.
- Failure to extend the performance bond which is not valid since 26th July, 2015.
- Failure to resume work on site despite numerous reminders by the Resident Engineer.
- The delay by the contractor to complete the project slated to take one year but delayed for another two years puts into question the competence of the contractor

• **RESPONSE**

- As observed by the auditor, the contractor was unable to complete the project on time due to his own default. Notice has been given for termination of the contract (See attached Notice) Annex VIII.

Focal Point Person to Resolve- Deputy General Manager(ES)

Status : Resolved

Time frame: n/a

(c) Mukengesya irrigation scheme, development project (nib/t/100/2013-2014) kshs.70,252,600.

The above contract was to be officially completed in the month of March 2016. However, on 10th May 2016 and 8th June 2016, (two and three months after the completion period) the contractor wrote letters requesting for extension of the contract for further 6 months to enable completion of outstanding works. The audit could not establish the reasons as to why the contractor had taken long to inform the client of a possible inability to complete the project within the contract period.

RESPONSE

The contractor gave the first notice about the delay to complete the works on 13th August 2015. This arose from delay to acquire the necessary approvals and permits for explosives needed for blasting of rocks in the pan area See attached letter.

The contractor gave two more notices on the same grounds about the delay to complete the works on 7th October 2015 and 3rd December 2015 before ultimately requesting for extension of the contract period by six months to recover the lost time. This request was done on 21st January 2016, 2 months before the completion date. Refer to annex IX (a,b,c &d)

Focal Point Person to Resolve- Deputy General Manager(ES)

Status : Resolved

Time frame: n/a

3. **Budgetary controls over-expenditure kshs.21, 967,163.16**

Audit examination of the budget verses actual revealed that the Board in the year under review had overshot her budget for repairs and maintenance by Kshs. 21,967,163.16.

RESPONSE

The year in question was one of the years that experienced severe drought. This even led to the President's waiver of Operational & maintenance fee for Mwea farmers .National Irrigation Board

had to ensure that canals and other irrigation infrastructures are well maintained to ensure that there was a smooth flow of the little water available. This necessitated going an extra mile and incurring extra expenditure to achieve the above and ensure that the crop which was in the field does not fail. The overshoot was 4.39 % and was necessitated by a noble cause to save a crop in the entire Mwea Scheme. The management will ensure that there is no budget overshoot in future. Refer to annex XI

Focal Point Person to Resolve- Chief Officer Finance

Status : Resolved

Time frame: n/a

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1. Mwea Irrigation development	1167100900	Jica	2017/18	2,358,000,000	No	Yes
2. Galana Kulalu Food Security project	1167100700	Bank Leumi of Israel	2017/18	800,000,000	No	Yes
3. Bura irrigation rehabilitation	1167100400	Kuwait Fund, Badea, Ofid	2017/18	180,000,000	No	Yes

Status of Projects completion

No.	Project Title	Total Project Cost (KES.)	Total Expended to date	Project status (Completion %)	Budget (FY 2017/18)	Actual Expenditures	Source of Funds
1	Construction of Akaiga irrigation Project	77,766,744.00	69,634,460.00	90 % complete	5,000,000.00	3,868,603.44	GoK
	1104100400 Bura Irrigation Scheme						
2	Construction of Bura rehabilitation project (BADEA, KF, and GoK)	7,355,829,104.00	3,385,566,084.66	30 % Complete	511,000,000.00	181,795,492.63	GoK
3	Construction of Gachoka clusters 2 Irrigation Project	500,000,000.00	217,864,882.00	90 % completed, contractor applied for an extension	30,000,000.00	20,000,000.00	GoK
4	Construction of Lower Kithegi Irrigation Project	480,000,000.00	240,390,585.16	Contract terminated at 80% completion, another contractor will be identified to complete the project	5,000,000.00	-	GoK
5	Construction of Lower Sio Irrigation Project	1,695,344,000.00	578,466,414.15	79% Complete	12,442,883.87	12,442,883.87	GoK

6	Construction of Mwithaga	46,912,932.00	26,828,749.80	85 % complete, contractor applied for extension	20,000,000.00		GoK
7	Construction of Nyakumu Water Pan	74,000,000.00	61,027,025.68	85 % complete			GoK
8	Construction of Oldonyiro Irrigation Development Project	224,000,000.00	212,628,059.78	85 % complete	35,000,000.00		GOK
9	Riu Nderi Water Pan	84,476,370.00	61,027,025.68				
10	Construction of Runga Irrigation Scheme Project	81,196,196.00	44,648,534.00	95 % complete, contractor applied for extension	20,000,000.00		GoK
11	Construction of Soin Phase 2 Project	109,000,000.00	128,194,376.00	85 % complete	3,124,377.81	3,124,377.81	GoK
12	Construction of Thua Model Farm Irrigation Project	97,000,000.00	52,494,000.00	80 % complete, contractor has applied for extension, delay has been caused by time taken to identify an alternative site for borehole.			GoK
13	Construction of Yikita Irrigation Development Project	123,500,147.0	40,381,824.0	60 % complete, contractor applied for extension, delay due to flooding of the Athi River	-	-	GoK
14	Chesargartat Marich Irrigation project	58,888,720.00	23,729,001.00	50 % complete, Project delayed due to insecurity, contractor applied for extensions			GoK
15	Civil Works For Irrigation Projects	-	-				
16	Construction Rahole canal phase 3 Irrigation Project	235,537,830.00	152,344,984.00	75 % complete	30,000,000.00		GoK

	1104100700 Galana Kulalu Irrigation Development Project						
17	Galana Model Farm (studies and other infrastructure) (supply of pumps and pipes to Lango Mbaya clusters as CSR and other infrastructure	7,294,800,000.00	7,654,622,721.76	Projected completed and handed over to the community	153,750,000.00	153,750,000.00	GOK
18	Construction Of Lower Sabor Irrigaton Project	397,501,272.00	175,025,191.58				
19	Construction of Nachu Water Pan	94,891,650.00	70,012,320.00	80 % complete	30,000,000.00	19,054,449.00	GoK
20	Nachu Small (Kiriore)	19,989,420.00	12,570,200.00	Project 95% completed and the remaning activity is installation of greenhouses in order to hand over the project to the community	10,000,000.00		GoK
21	Construction for Ndula Magogoni	280,000,000.00	254,977,809.84	90% complete . Pending supply of in-field system to farmers and completion of 3km magogoni 'B'	30,000,000.00	5,000,000.00	GoK
	1104100900 Mwea Irrigation Development Project						

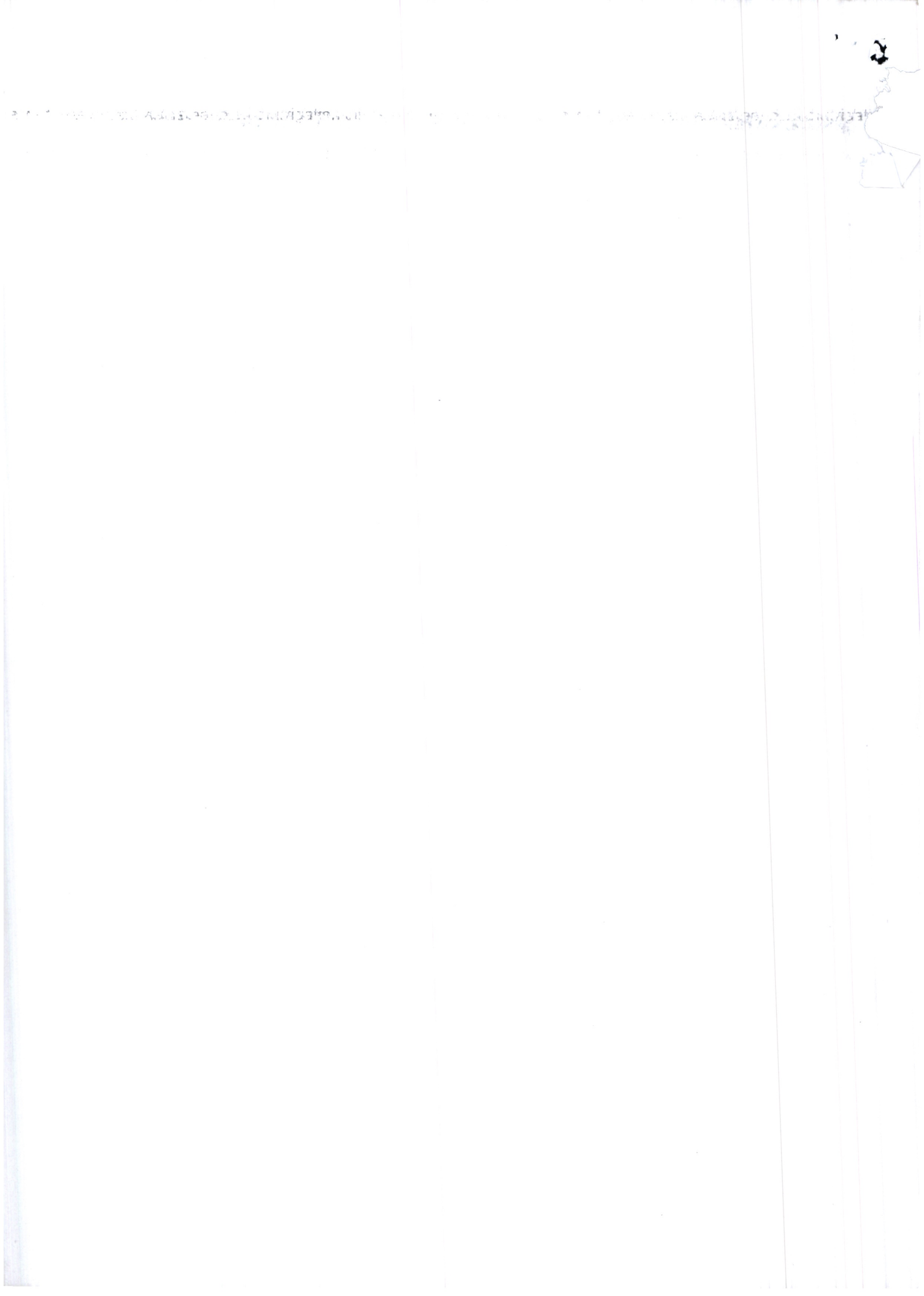
22	Mwea Thiba Dam (land compensation)	350,000,000.00	6,340,420,558.44	Contract has been signed and contractor is mobilizing	2,551,000,000.00	54,252,545.67	GOK
23	Construction Awagdera water Pan	99,980,100.00	55,421,200.00	80 % complete, contractor abandoned site, termination process initiated	-	-	GoK
24	Kieni Water Pan		31,413,393.97				
25	Mansa Borehole and Irrigation Development project	29,893,787.00	20,471,710.00	Projected completed and handed over to the community	20,000,000.00		GOK
26	Kina Water Pan	40,000,000.00	22,928,482.92		40,000,000.00		
27	Household Water Pans	500,000,000.00	206,850,977.80		5,000,000,000.00		
28	Construction of Muringa Banana , Phase 2 construction works	456,000,000.00	56,856,900.00	99% complete. DLP expired	80,000,000.00	17,271,514.00	GoK
29	Logologo Water Pan Project	-	-				
	TOTAL	20,806,508,272.0	20,196,797,472.2		8,586,317,261.7	470,559,866.4	

NATIONAL IRRIGATION BOARD
 NOTES TO FINANCIAL STATEMENTS
 2017-18
 APPEDIX III : INTER ENTITY TRANSFERS

NATIONAL IRRIGATION BOARD
 NOTES TO FINANCIAL STATEMENTS

Breakdown of transfers from Ministry of Water & Irrigation
 FY 2017/2018

a.	Recurrent Grants	Bank Statement date	Amount (KSH)	For Financial Year
	Min of Water & Irrigation	01-08-2017	77,000,000	2017-2018
	Min of Water & Irrigation	04-01-2018	77,000,000	2017-2018
	Min of Water & Irrigation	27-04-2018	77,000,000	2017-2018
	Min of Water & Irrigation	29-06-2018	77,000,000	2017-2018
	TOTAL		308,000,000	
b.	Development Grants			
	Min of Water & Irrigation	01-08-2017	1,398,250,000	2017-2018
	Min of Water & Irrigation	06-03-2018	1,380,000,000	2017-2018
	Min of Water & Irrigation	29-06-2018	1,033,571,113	2017-2018
	TOTAL		3,811,821,113	
c.	Other Grants			
	For Lower Nzoia Dev.	18-01-2018	25,777,404	2017-2018
d.	Direct Payments			
	JICA For Thiba dam	9/20/2017	145,000,000	2017-18
	JICA For Thiba dam	12/15/2017	4,169,999	2017-18
	JICA For Thiba dam	12/15/2017	5,195,453	2017-18
	JICA For Thiba dam	12/15/2017	7,347,840	2017-18
	JICA For Thiba dam	12/15/2017	4,817,143	2017-18
	JICA For Thiba dam	2/20/2018	1,420,110,573	2017-18
	JICA For Thiba dam	3/22/2018	19,144,666	2017-18
	JICA For Thiba dam	5/25/2018	7,567,584	2017-18
	JICA For Thiba dam	5/25/2018	3,358,301	2017-18
	JICA For Thiba dam	5/25/2018	3,921,123	2017-18
	Bank of Leumi Israel for Galana	7/3/2017	686,971,796	2017-18
	Bank of Leumi Israel for Galana	7/3/2017	1,054,153,524	2017-18
	Kuwait Fund-For Bura	8/30/2017	25,300,470	2017-18
	Kuwait Fund-For Bura	4/11/2018	32,601,111	2017-18
	Opec Fund- For Bura	8/30/2017	10,929,526	2017-18
	Opec Fund- For Bura	4/11/2018	14,083,323	2017-18
	Badea Fund-For Bura	8/30/2017	14,578,467	2017-18
	Badea Fund-For Bura	4/11/2018	18,785,193	2017-18
	TOTAL		3,328,866,093	
e.	Donor Receipts		Nil	



APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/ Others	Total Amount KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
	as per bank statement				Capital Fund	Deferred Income	Receivables	Others - must be specific	

NB : NO TRANSFERS FROM OTHER GOVERNMENT ENTITIES

