


REPUBLIC OF KENYA



REPORT

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 04 MAR 2026	DAY: WED
TABLED BY:	DEPUTY LEADER OF THE MAJORITY PARTY
CLERK-AT THE-TABLE:	V. WAMBUI



OF

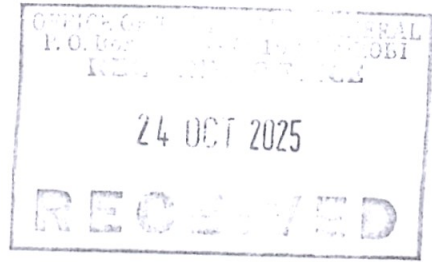
THE AUDITOR-GENERAL

ON

**RWABURA IRRIGATION DEVELOPMENT
PROJECT NO.1109118900**

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

NATIONAL IRRIGATION AUTHORITY



PROJECT NAME: RWABURA IRRIGATION DEVELOPMENT PROJECT

IMPLEMENTING ENTITY: NATIONAL IRRIGATION AUTHORITY

PROJECT CREDIT NUMBER: 1109118900

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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

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

Table Contents

	Page
1. Acronyms and Definition of Terms.....	ii
2. Project Information and Overall Performance.....	iii
3. Statement of Performance against Project's Predetermined Objectives.....	xi
4. Environmental and Sustainability Reporting	xiii
5. Statement of Project Management Responsibilities.....	xviii
6. Report of the Independent Auditor on Financial Statements for Rwabura Irrigation Development Project	xxi
7. Statement of Financial Performance for the Year Ended 30th June 2025.....	2
8. Statement of Financial Position as at 30 th June 2025	3
9. Statement of Changes in Net Assets.....	4
10. Statement of Cash flow for the year ended 30 th June 2025.....	5
11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30 th June 2025	6
12. Notes to the Financial Statements	7
13. Annexes	23

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

1. Acronyms and Definition of Terms

NIA	National Irrigation Authority
NT	National Treasury
IPSAS	International Public Sector Accounting Standards
PSASB	Public Sector Accounting Standards Board
RIDP	Rwabura Irrigation Development Project
RAESA	Riegos Agrícolas Espanoles, S.A
MWI	Ministry of Water, Sanitation and Irrigation
PFM	Public Finance Management Act
AG.	Acting
FY	Financial Year
A/C	Account
N/B	Note Better
B/F	Brought Forward
C/F	Carried Forward
NO.	Number
IPC	Interim Payment Certificate
CEO	Chief Executive Officer
ENG.	Engineer
M & E	Monitoring and Evaluation
ICPAK	Institute of Certified Public Accountant Kenya
CPA	Certified Public Accountant
KSHS.	Kenyan Shilling
PAPS	Project affected Persons
FIEM	Fund for Internationalization of the Spanish companies
STRECO	Structural Reinforcement Components Limited
CO-OP	Cooperative
COMPARATIVE FY	Financial year preceding the current financial year

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is Rwabura Irrigation Development Project,

Objective

The key objective of the project is to increase the productivity of crops by improvement of irrigation infrastructures in Gatundu south sub-county, Kiambu County, thereby contributing to raising the farmers' livelihood in Kiambu county and food security in Kenya,

Address

The project headquarters offices are Nairobi (city), Nairobi County, Kenya.

The Project Headquarter address are in Nairobi City, Nairobi County, Kenya. The address of its registered office is:

National Irrigation Authority

Irrigation House,

Lenana Road, Hurlingham

P.O Box 30372, 00100

Nairobi, Kenya

The project also has offices/branches as follows:

- Gatundu south – Gacharage sub -location

Contacts: The following are the project contacts

P.O Box 30372, 00100

Telephone: (254) -20-2711380/2711468

E-mail: ceo@irrigation.authority.go.ke

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

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

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	13th November 2020
Project End Date:	31 st December 2025
Project Coordinator:	Eng. Risper Okumbe
Project Development Partner:	Government of Spain/ GoK

2.3 Project Overview

Line Ministry or State departments/ County Department	The project is under the supervision of the Ministry of Water Sanitation & Irrigation.
Project number	1109118900
Strategic goals of the project	The project aims at providing irrigation infrastructure for 1,500 acres that will support production of horticultural crops and fruits valued at Kshs. 600 million by 2024. The project has potential to produce 90,000 bags of maize if farmers are given incentives to grow maize for the strategic food reserve.
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through construction of Thiririka dam and its related irrigation structures
Other important background information of the project	The project has 4 water harvesting and storage dams, Conveyance lines, Mainlines & Sub-mains and Agricultural development plan (value chains facilities) The project is facilitated by Loan from the Government of the Kingdom of Spain Kshs. 856,519,557 for infrastructure works and GoK Kshs. 169,750,000 for Wayleave acquisition

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

Areas that the project was formed to intervene	The project was formed to intervene the underutilisation of productive agricultural land due to unpredictable and unreliable rainfall
Project duration	The project started on 1st December 2020 and is expected to run until 31st December 2025

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

Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the current period:

- (i) Kenya Commercial Bank

2.5 Independent Auditor

The project is audited by the Office of the Auditor General.

2.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Eng. Charles Muasya, <i>MBS</i>	Chief Executive Officer (CEO)	Over 20 years of experience in the development and management of irrigation schemes	Overall coordination of the project from December 19 th , 2022
Eng. Loise Kahiga	Ag. Deputy Director Irrigation Development Services	Over 10 years of experience in the development of irrigation infrastructure.	Coordination of Engineering matters on the project
Eng. Risper Odawo Okumbe	Project Manager	Over 10 years' experience in dam and irrigation infrastructure construction.	Coordinating all technical matters of the project
M/s Leah Muoria	Project Accountant	Over 10 years in financial management	Advising on project financial matters.
M/s Tracy Adhiambo	Environmentalist	Over 7 years in the handling of project environmental matters	Ensuring protection of the environment
M/s Patricia Siele	Procurement officer	Over 7 years of experience in procurement matters	Advising on procurement matters for the Project

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

2.7 Funding summary

The Project is for duration of three years from 2020 to 2023 with an extension to December 2025 and an approved budget of Euros **8,316,353** equivalent to Kshs. **1,149,486,857** as highlighted in the table below:

Rwabura Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2025
Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date (30.06.2025)		Undrawn balance to date (30.06.2025)	
	<i>Donor currency Euro</i>	<i>Kshs</i>	<i>Donor currency Euro</i>	<i>Kshs</i>	<i>Donor currency Euro</i>	<i>Kshs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A)-(B)</i>
(i) Loan						
FIEM-Spanish fund	6,825,738	973,736,857	5,873,573	838,023,444	952,165	135,713,413
(ii) Counterpart funds						
Government of Kenya	1,490,615	175,750,000	1,490,615	173,750,000	-	2,000,000
Total	8,316,353	1,149,486,857	7,364,188	1,011,773,444	952,165	137,713,413

Rwabura Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2025
Project information and overall performance (continued)

Below is the funding Summary

B. Application of Funds

Application of Funds	Amount received to date - (30-06-2025)		Amount Paid to date – (30-06-2025)		Unutilised balance to date (30-06-2025)	
	<i>Donor currency Euro</i>	<i>Kshs</i>	<i>Kshs</i>	<i>Donor currency Euro</i>	<i>Donor currency Euro</i>	<i>Kshs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B')</i>	<i>(B)</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
(i) Loan						
FIEM-Spanish fund	5,873,573	838,023,444	838,023,444	5,873,573		
(ii) Counterpart funds						
Government of Kenya	1,490,615	173,750,000	130,908,368	1,212,620	277,995.00	42,841,632
Total	7,364,188	1,011,773,444	968,931,812	7,086,193	277,995.00	42,841,632

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

Project information and overall performance (continued)

2.8 *Summary of Overall Project Performance:*

- i. Budget performance against actual amounts for the current year is 19% and for the cumulative to-date is 88%
- ii. The physical progress of the project is at 100%
- iii. The absorption rate for each year since the commencement of the project has been 96%.
- iv. Implementation challenges:
 - El Niño rains have brought about challenges in construction schedules, increased risks of flooding, and heightened erosion concerns

2.9 *Summary of Project Compliance:*

The project complied with all statutory requirements

3. Statement of Performance against Project's Predetermined Objectives

Introduction

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

The key development objectives of the *project's 2020-2024* plan is to increase the productivity of crops by improvement of irrigation infrastructures in Gatundu south sub-county, Kiambu County, thereby contributing to raising the farmers' livelihood in Kiambu county and food security in Kenya,

Progress on the attainment of strategic development objectives

To implement and cascade the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic, and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified to track progress and performance measurement.

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

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

Project	Objective	Outcome	Indicator	Performance
Rwabura Irrigation Development Project	To increase the productivity of crops by	Improvement of irrigation infrastructure	Percentage Increase in maize and other crops, which will boost the livelihoods of beneficiaries	The project is 100%

4. Environmental and Sustainability Reporting

The project aims at increasing irrigable area through provision of sustainable water supply. Key sustainable efforts embraced by the project include;

1. Sustainability strategy and profile

The project is at the forefront in implementing sustainability in its key areas of operation. These aim at optimizing water use in irrigation while minimizing environmental impacts and ensuring long-term productivity. Key sustainable efforts embrace by the project include;

2. Environmental performance

The project is aware that the delivery of its core mandate can have negative impacts on the environment. Therefore, the project recognizes that some of its activities if not well controlled and managed can lead to negative environmental impacts. The project acts as a responsible environmental steward by complying with the applicable environmental laws and regulations. One of these measures is the adoption of an Environmental Policy Statement that seeks to address and give guidelines of the necessary steps taken to address negative environmental impacts from the delivery of our mandate.

3. Employee welfare

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

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

The staff appraisal is managed through an online Performance Management system whereby individual employees set annual performance targets. The performance is

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

reviewed mid-view and an action plan developed for implementation of the recommendations emanating from the staff appraisal reports.

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

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

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

4. Marketplace practices-

a) Responsible Supply chain and supplier relations-

The project promotes competitive procurement to the maximum extent practicable. The project maintains and continuously update lists of registered suppliers, contractors and consultants in various specific categories of goods, works or services according to its procurement needs. The selection of suppliers, contractors and consultants is done based on objective criteria such as quality, technical excellence, cost/price, schedule/delivery, services and maintenance of adequate sources of supply.

The standard tender documents used and issued by a procuring the project contains sufficient information to allow fairness, equitability, transparency, cost-effectiveness and competition among interested and participating tenderers. Specific requirements relating to the goods, works or services being procured are clear and give a correct and complete description of what is to be procured thus allow for fair and open competition among those who may wish to participate.

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

Due diligence is also conducted on firms to be awarded contracts prior to contract award to ensure that there is no a misrepresentation of facts in order to influence a procurement or disposal process and to assure of free and open competition.

The project continually works with different government agencies and regulatory bodies that monitor assess and review the public procurement and asset disposal system to ensure that they respect the national values, enforce any standards developed, provide advice and technical support and to investigate and act on complaints received on procurement and asset disposal proceedings.

b) Responsible ethical practices

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

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

c) Regulatory impact assessment

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

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

conducted through Kenya Gazette, which is accessible to the public, and opinions for the public is received and evaluated.

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

5. Community Engagements

During the FY 2024/2025, the following activities were undertaken according to the project's CSR Policy objectives:

Environmental Responsibility.

The project distributed fruit-tree and indigenous-tree seedlings to farmers and local communities respectively across the Country for planting during the rainy seasons in an effort to increase forest and tree cover as part of the National Tree Growing Campaign and Corporate Social Responsibility initiatives.

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

5. Statement of Project Management Responsibilities

The *Chief Executive Officer (CEO)* for the Project and the *Project Manager* for ***Rwabura Irrigation Development project*** are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial period ended on *June 30, 2025*. This responsibility includes: (i). Maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period

(ii). Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project (iii). Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the Project; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The *CEO* and the *Project Manager* for ***Rwabura Irrigation Development project*** accept responsibility for the Project's financial statements, which have been prepared on the cash basis method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

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

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

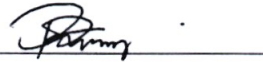
***Rwabura Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2025***

Approval of the Project Financial Statements

The Project financial statements were approved by the *Chief Executive Officer* for the Project and the *Project Manager* for *Rwabura Irrigation Development project* on 21/10 2025 and signed by them.



Chief Executive Officer
Eng. Charles Muasya, MBS



Project Manager
Eng. Risper Okumbe

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

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON RWABURA IRRIGATION DEVELOPMENT PROJECT NO.1109118900 FOR THE YEAR ENDED 30 JUNE, 2025 - NATIONAL IRRIGATION AUTHORITY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying transitional IPSAS financial statements of Rwabura Irrigation Development Project - National Irrigation Authority set out on pages 1 to 59,

Report of the Auditor-General on Rwabura Irrigation Development Project No.1109118900 for the year ended 30 June, 2025 - National Irrigation Authority

which comprise the statement of financial position as at 30 June, 2025 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 matter described in the Basis for Qualified Opinion section of my report, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of Rwabura Irrigation Development Project - National Irrigation Authority as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) including the transitional provisions permitted under IPSAS 33 and comply with Credit Facility Agreement No.1109118900 dated 18 July, 2017, the Public Finance Management Act, 2012 and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

Basis for Qualified Opinion

Inaccuracies in the Financial Statements

Review of records provided for audit revealed the following inconsistencies;

- i. The statement of financial position reflects property, plant and equipment comparative balance of Kshs.1,062,274,546 as disclosed in Note 9 to the financial statements while the audited prior year report reflects a balance of Kshs.955,830,102 resulting to an unreconciled variance of Kshs.106,444,444. Further, the property, plant and equipment balance of Kshs.1,062,900,070 has not been supported with an Annexure of nature and specifications of the projects with the amount represented.
- ii. The statement of cash flows reflects acquisition of non-financial assets balance of Kshs.13,101,710, which has not been reflected under the statement of financial position and statement of changes in net assets respectively.
- iii. The statement of financial performance reflects use of goods and services of Nil amount while the statement of comparison of budget and actual amounts reflects an amount of Kshs.728,970. Similarly, the certified works of Kshs.12,372,740 reflected in the statement of comparison of budget and actual amounts is not included under property, plant and equipment as disclosed in Note 9 to the financial statements. The inconsistencies were not explained. Further, Note 9 to the financial statements under property, plant and equipment reflects assets additions totalling Kshs.625,524 which could not be reconciled to the use of goods and services expenditure of Kshs.728,970 to the financial statements.
- iv. Note 10 and Note 11 to the financial statements reflects trade and other payables and third-party deposits comparative balances of Kshs.12,476,186 and Kshs.93,968,259

respectively while the audited financial statements for the year ended 30 June, 2024 under other important disclosures reflects pending accounts payable and other pending payables balances of Kshs.14,379,584 and Kshs.102,527,566 respectively. The variances of Kshs.1,903,398 and Kshs.8,559,307 were not explained or reconciled.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Rwabura Irrigation Development Project - National Irrigation Authority Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final receipts budget and actual on a comparable basis of Kshs.108,000,000 and Kshs.20,372,740 respectively, resulting to an under-funding of Kshs.87,627,260 or 81% of the budget. Similarly, the project spent Kshs.13,101,710 against actual receipts of Kshs.20,372,740 resulting to an under expenditure of Kshs.7,271,030 or 36% of the actual receipts.

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

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effects of the matter described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the prior year's audit report, several issues were raised under the Report on Financial Statements and on Lawfulness and Effectiveness in Use of Public Resources respectively. Review of the status during audit of the Rwabura Irrigation Development Project - National Irrigation Authority in 2024/2025 revealed that the following matters remained unresolved.

	Financial Year	Audit Issue
1	2023/2024	Unsupported Cash and Cash Equivalents
2	2023/2024	Delay in Processing Payment Certificates
3	2023/2024	Project Implementation and Viability
4	2023/2024	Failure to Stipulate Draw Down Terms

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Undrawn Loan Balances

The financial statements under project information and overall performance reflects Euros 952,165 equivalent of Kshs.137,713,413 as undrawn balance from FIEM-Spanish Fund. The undrawn balance is subject to commission as spelt out in clause eight of the financing agreement, which is an avoidable cost to the tax payer. Further, the project information states that the project is for a duration of three years from 2020 to 2023 with an extension

to December, 2025. No explanation was provided for failure to utilize the funds. This is contrary to Clause eight of the financing agreement which states that an availability commission of 0.1% (zero-point one percent) per year shall be applied to all the amounts that have not been withdrawn during the drawdown period as set out in clause five, to commence six (6) months after the agreement comes into effect.

In the circumstances, the Project Management Unit (PMU) was in breach of the financing agreement.

2. Multiple Issuance of Imprests

Review of a sample of imprest warrants provided for audit revealed that additional imprests totalling Kshs.173,375 was issued to officers with outstanding imprests contrary to Regulation 93(8) of Public Finance Management (National Government) Regulations, 2015 which states that, in order to effectively and efficiently manage and control the issue of temporary imprests, an Accounting Officer or AIE holder shall ensure that no second imprest is issued to any officer before the first imprest is surrendered or recovered in full from his or her salary.

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

3. Irregular Procurement of Hospitality Services

Review of payment vouchers provided for audit revealed that Management engaged suppliers to provide hospitality services for Kshs.367,000. However, support documents which include, local purchase orders, request for quotations from bidders to confirm the services was procured competitively, were not provided for audit review. This was contrary to Section 106(a)(b) of the Public Procurement and Asset Disposal Act, 2015 which requires an Accounting Officer of a procuring entity to give the request to such persons as are registered by the procuring entity and the request shall be given to as many persons as necessary to ensure effective competition and shall be given to at least three (3) persons, unless that is not possible;

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

4. Inconsistencies in Rwabura Irrigation Development Project

4.1 Commissioning of a Non-Functional Project

As per the application of loan funds, the Project as at 30 June, 2025 had absorbed an amount totalling Kshs.968,931,812 equivalent of Euros 7,086,193. However, during physical verification of the project on 27 June, 2025, more than one year following the commissioning by the President, the following observations on the status of the Project were made;

- i. The Project was commissioned by the President on 16 February, 2024 however, after the commissioning, there had not been any activity to date.

- ii. A visit of the water intake site in Rwabura revealed that it was filled with silt which needs to be scooped manually with no place to deposit the waste since the intake is sandwiched between steep right and left river banks. The intake distillation requires major works of high-tech machinery to improve waterflow for viability of the Project.
- iii. The intake had been vandalized.
- iv. There was no operation and maintenance team on site.
- v. Repair works for the damages caused during the long rains season on both Thirika and Rwabura conveyance had not commenced.
- vi. Farmers or beneficiaries who had collected their irrigation kits and planted crops had the crops dying since there was no water flowing into their fields.
- vii. Rwabura conveyance works completion were still pending.
- viii. The perimeter fence had not been done exposing the office block to vandalism.

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

4.2 Viability of the Project

4.2.1 Rwabura System

During the field verification, it was noted that the water intake was more than half filled with trash, twigs, trees and soil deposits to the point of blocking the sluice gate. However, the fittings were not affected by the floodwaters and remained in good condition. Further, gabion boxes were markedly wasting away and uPVC backfill material along the pipeline was lost as a result of the landslide raising concerns on the stability and functionality of the conveyance system. In addition, manual removal of the silt may be a mirage and the alternative methods of distillation, that is mechanical and hydraulic dredging could be difficult due to the steepness of the area making the realization of the project bleak.

Further, the audit findings for the Rwabura system highlighted significant concerns regarding the feasibility study carried out before the actual inception of construction and integrity of the infrastructure. The gabion boxes were wasting away as a result of long periods of non-use and landslides compromising their efficiency in soil erosion control and water management. This was contrary to Regulation 72(2) of the Public Finance Management (National Government) Regulations, 2015 which requires that in identification and designing of projects funded by development partners, the areas covered and amounts allocated shall be determined by objective criteria and as far as possible on need-based formula which may include geographical area, population and poverty index.

4.2.2 Theft of Irrigation Kits Accessories and Vandalism

Review of correspondences from the interim Chairman of Rwabura Irrigation Project Committee letter ref: RIDP/NIA/05/10/24 dated 7 October, 2024 revealed that Rwabura site lost; 28 air valve fittings, four (4) 350mm pipes, three (3) washout GL valves and Spigot fittings. However, information in regard to value of the lost items or whether they had been insured was not provided for audit review. Further, a police report or relevant

case documents regarding the case were not provided for audit review and therefore conclusion on the theft case reports could not be confirmed.

In the circumstances, Management was in breach of the law and value for money may not have been obtained from the Project.

5. Ambiguous Draw Down Terms in the Financing Agreement

Review of the credit facility agreement and the commercial contract agreement for construction works revealed that there were no stipulated key deliverables attached to loan draw downs. In the course of the financial year, a total of nineteen (19) Interim Payment Certificates (IPCs) were certified for payment amounting to € 3,094,846. (Equivalent to Kshs.487,961,702) and translating to 45% of the contract price. Its therefore not clear on the specific project timelines and milestones achieved to trigger 45% drawn downs.

The absence of stipulated key deliverables in loan drawdowns poses significant risks that affects financial management, compliance, operations, reputation and future funding opportunities.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Credit Facility Agreement between the Government of Spain and the Republic of Kenya, I report based on my audit, that except for the matters described in

the Basis for Qualified Opinion and the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report:

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and
- iii. The Project's financial statements are in agreement with the accounting records and returns

Responsibilities of the Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

04 December, 2025

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

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

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

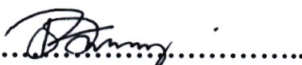
	Notes	30th June 2025
		Kshs
Revenue		
Revenue Transfers		-
Total revenue		-
Expenses		
Use of goods and services		-
Certified Works		-
Total expenses		-
Other gains/(losses)		
Surplus/ (deficit)		-

**all expenses are transferred to W.I.P for capitalization at completion of the project*

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements. The financial statements were approved on 21/10/ 2025 and signed by:


.....

Eng. Charles Muasya, MBS
Chief Executive Officer


.....

Eng. Risper Okumbe
Project Manager


.....

CPA Leah Muoria
Project Accountant


ICPAK Member No: 10230

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


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

	Note	30th June 2025	1 st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	7	42,841,632	35,570,602
Total Current Assets		42,841,632	35,570,602
Non-Current Assets			
Property Plant and Equipment	9	1,062,900,070	1,062,274,546
Total Non- Current Assets		1,062,900,070	1,062,274,546
Total Assets (a)		1,105,741,702	1,097,845,148
Liabilities			
Current Liabilities			
Trade Payables	10	-	12,476,186
Third Party Deposits	11	93,968,258	93,968,258
Total Current Liabilities		93,968,258	106,444,444
Total Liabilities (b)		93,968,258	106,444,444
Net Assets (a-b)		1,011,773,444	991,400,704
Represented By:			
GOK Funds		173,750,000	165,750,000
Donor		838,023,444	825,650,704
Net Assets		1,011,773,444	991,400,704


The financial statements were approved on 21/10/ 2025 and signed by:



 Eng. Charles Muasya, MBS
 Chief Executive Officer



 Eng. Risper Okumbe
 Project Manager



 CPA Leah Muoria
 Project Accountant
 ICPAK Member No: 10230

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

9. Statement of Changes in Net Assets

Description	GOK	FIEM SPAIN	TOTAL
	Kshs	Kshs	Kshs
As at 30 th June 2024 (Cash Basis)	35,570,602	-	35,570,602
Assets	130,179,398	825,650,704	955,830,102
As at 1 st July 2024	165,750,000	825,650,704	991,400,704
Additions	8,000,000	12,372,740	20,372,740
As at 30 th June 2025	173,750,000	838,023,444	1,011,773,444

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


The financial statements were approved on 21/10/ 2025 and signed by:



Eng. Charles muasya, MBS
Chief Executive Officer



Eng. Risper Okumbe
Project Manager



CPA Leah Muoria
Project Accountant
ICPAK Member No: 10230

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

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

Description	Note	30th June 2025
		Kshs
Cash flow from investing activities		
Acquisition of non-financial assets		(13,101,710)
Net cash flows from investing activities		(13,101,710)
Cash flow from financing activities		
Gok		8,000,000
FIEM Spain		12,372,740
Net cash flow from financing activities		20,372,740
Net increase/Decrease in cash and cash equivalents		7,271,030
Cash and cash equivalent at 1st July 2024	7	35,570,602
Cash and cash equivalent at end June 2025	7	42,841,632

**operating expenses are transferred to W.I.P for capitalization at completion of the project*

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

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

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue Transfers	208,000,000	(100,000,000)	108,000,000	20,372,740	87,627,260	19%
Total Revenue	208,000,000	(100,000,000)	108,000,000	20,372,740	87,627,260	
Payments						
Use of goods and services	730,000	-	730,000	728,970	1,030	100%
Certified Works	207,270,000	-	107,270,000	12,372,740	94,897,260	12%
Total Payments	208,000,000	-	108,000,000	13,101,710	94,898,290	12%
Surplus or Deficit	-	(100,000,000)	-	7,271,030	(7,271,030)	

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

12. Notes to the Financial Statements

1. General Information

The project is under the supervision of the Ministry of Water Sanitation & Irrigation. The project aims at providing irrigation infrastructure for 1,500 acres that will support production of horticultural crops and fruits valued at Kshs. 600 million by 2024. The project has potential to produce 90,000 bags of maize if farmers are given incentives to grow maize for the strategic food reserve.

Summary of Project Strategies for achievement of strategic goals.

The project management aims to achieve the goals through construction of Thiririka dam and its related irrigation structures.

The project has 4 water harvesting and storage dams, Conveyance lines, Mainlines & Sub-mains and Agricultural development plan (value chains facilities)

The project was formed to intervene the under utilization of productive agricultural land due to unpredictable and unreliable rainfall.

2. Statement of Compliance and Basis of Preparation

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

Guiding note during the transition period:

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

3. Adoption of New and Revised Standards

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

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial</p>

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

Standard	Effective date and impact:
	<p>statements to assess the effect that leases have on the financial position, financial performance and cashflows of an the project.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>The standard has no direct impact on the project</i></p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>The standard has no direct impact on the project</i></p>
<p>IPSAS 45- Property Plant and Equipment</p>	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p><i>The standard has no direct impact on the project</i></p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;

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

Standard	Effective date and impact:
	<p>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</p> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>The standard has no direct impact on the project</i></p>

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

Standard	Effective date and impact:
<p>IPSAS 47- Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an the project shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>The standard has no direct impact on the project</i></p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>The standard has no direct impact on the project</i></p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><i>The standard has no direct impact on the project</i></p>

iii) Early adoption of standards

Rwabura Irrigation Development Project

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

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

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2024/2025 was approved by the Council or Board on January 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the project upon receiving the respective approvals to conclude the final budget. Accordingly, the project recorded additional appropriations. The project's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page *I* under section of Comparison of Budget and Actual Amounts of these financial statements of these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the item of property appropriately according to the acronyms you use in your financial statements

Rwabura Irrigation Development Project

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

plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the project recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the project. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The project also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

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

e) Intangible assets

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

f) Research and development costs

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

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

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

- v. The ability to measure reliably the expenditure during development.

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

g) Financial instruments

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

Financial assets

Classification

The the project classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity, or fair value through surplus and deficit on the basis of both the the project's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless the project has made an irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Amortized cost

Rwabura Irrigation Development Project

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

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in

Profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

h) Inventories

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

Rwabura Irrigation Development Project

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

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

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

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

Inventories (Continued)

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

i) Provisions

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

Contingent liabilities

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

Contingent assets

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

j) Nature and purpose of reserves

The *project* creates and maintains reserves in terms of specific requirements.

k) Changes in accounting policies and estimates

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

l) Employee benefits

Retirement benefit plans

The *the project* provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the project pays fixed contributions into a separate the project (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

m) Foreign currency transactions

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

n) Borrowing costs

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

o) Related parties

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

p) Service concession arrangements

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

q) Cash and cash equivalents

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

r) Work in progress

All expenditure are transferred to Work In Progress for capitalization at completion of the project.

s) Subsequent events

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

Notes to the financial statements

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

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

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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

Notes to the financial statements

6. Revenue Transfers

Revenues moved to capital fund

a) Details to Revenue Transfers

Name of the Entity Transferring	Amount moved to Capital fund	Total transfers (Current FY)
	Kshs	Kshs
GOK Funding	8,000,000	8,000,000
FIEM SPAIN	12,372,740	12,372,740
Total	20,372,740	20,372,740

Rwabura Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2025
Notes to the financial statements

7. Cash and Cash Equivalents

Description	30th June 2025	1st July 2024
	Kshs	Kshs
Cash in Bank	42,841,632	35,570,602
Total Cash and Cash Equivalents	42,841,632	35,570,602

Project Bank Accounts

Details	30th June 2025	1 st July 2024
	Kshs	Kshs
Local Currency Accounts		
Kenya Commercial Bank [A/c No 1333763816]	42,841,632	35,570,602
Total bank account balances	42,841,632	35,570,602

8. Receivables

There were no accounts receivable during the period under review

Notes to the financial statements

9. Property, Plant and Equipment

Cost	Capital Work in progress	Total
	Kshs	Kshs
Depreciation rate		
As At 1 July 2024 (opening balances)	1,062,274,546	1,062,274,546
Additions	625,524	625,524
As at 30th June 2025	1,062,900,070	1,062,900,070
Net Book Values		
As at 1st July 2024	1,062,274,546	1,062,274,546
As at 30th June 2025	1,062,900,070	1,062,900,070

**Included in the opening balance of 1,062,274,546 is Ksh. 955,830,102 (96,446,318 and 859,383,784)*

which refers to closing balance of W.I.P

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

Notes to the financial statements

10. Trade and Other Payables

Description	30th June 2025		1st July 2024	
	Kshs		Kshs	
Trade payables	-		12,476,186	
Total trade and other payables	-		12,476,186	
Ageing analysis: (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	-	-	12,476,186	100%
Total (tie to above total)	-	-	12,476,186	

11. Third-Party Deposits

Description	30 th June 2025		1 st July 2024	
	Kshs		Kshs	
Contractor's Retention	93,968,258		93,968,258	
Total deposits	93,968,258		93,968,258	
Ageing analysis: (Refundable deposits)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	1,649,699	2%	1,649,699	2%
1-2 years	92,318,560	98%	92,318,560	98%
Total	93,968,259		93,968,259	

** The opening balance of payable under note 10 & 11 are different from the closing balances as at 30th June 2024 due to exchange rate at payment time*

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

12. Cash Generated from Operations

**Transferred to W.I.P for capitalization at completion of the project*

13. Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

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

14. Events after the Reporting Period

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

15. Ultimate And Holding the project

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

16. Currency

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

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

13. Annexes

Annex 1: Prior Year Auditor-General’s Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
<p>A. REPORT ON THE FINANCIAL STATEMENTS</p>	<p>1. Unsupported Cash and Cash Equivalents Balance The statement of financial assets and liabilities reflects cash and cash equivalents balance of Kshs.35, 570,602 as at 30 June 2024. However, the cashbook, board of survey report and bank reconciliation statements in support of the cash and cash equivalents</p>	<p>The figure of Kshs. 35,570,602 which was not supported independently under the project during the desk review audit is hereby supported under equity bank account. Which is a development account National Irrigation Authority. However, the difference of Ksh.783,561.32 which was reallocated from the project funds to support</p>	<p>Resolved</p>	

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved/Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	<p>balance were not provided for audit.</p> <p>In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.35,570,602 could not be confirmed</p>	<p>payments of other programmes in order to defray legal issues from the long outstanding payables has since been refunded</p>		
	<p>2. Unsupported Cumulative Counterpart Funding – Kshs.165,750,000</p> <p>The statement of receipts and payments and as disclosed under Note 1 to the financial statements reflects transfer from Government entities,</p>	<p>i. The figure of Kshs. 98,000,000 received prior to programme based budgeting which had not been supported during the desk review audit has now been supported.</p>	<p>Resolved</p>	

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>counterpart funding, cumulative amount of Kshs.165,750,000. The amount relates to the Government Counterpart funds cumulative receipts to date, 30 June, 2024. Examination of the Credit agreement revealed that clauses on the nature of expenditure that was to be funded by the Government Counterpart funds were not included in the agreement. Without any guidelines, it was not possible to verify the basis</p>	<p>ii. However, the figure of Kshs.67,750,000 as per the ledger includes Kshs. 2,000,000.00 which refers to an exchequer receipt received on 28th August, 2024.for the financial year, 2024/2025 budget. As indicated under the posting date.</p> <p>iii. Rwabura Irrigation Project is a donor funded project supported by a loan from Spain to support the design and development of</p>		

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>of the drawdowns from GOK and the nature of expenditure that were to be facilitated by Government Counterpart funds. Further, review of the ledger revealed that the cumulative counterpart funding balance to date was Kshs.67,750,000 against the financial statements balance of Kshs.165,750,000, resulting to an unexplained variance Kshs.98,000,000.</p> <p>In the circumstances, the accuracy and completeness of</p>	<p>the project. The counterpart funding provided but GoK is to cater for other project costs including wayleave acquisition, supervision/consultancy services and other project management costs by GoK.</p>		

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	the cumulative counterpart funding amount of Kshs.165,750,000 could not be confirmed.			
	<p>3. Unverifiable Loan Drawdown and Retention Balances</p> <p>The statement of receipts and payments and Note 3 to the financial statements reflects Loan from External Development Partners balance of Kshs.487,961,702 for the year ending 30 June, 2024 and a cumulative to date draw</p>	<p>Payment for Rwabura Irrigation Project was being met by ICO bank based in Spain directly to the contractor once the certificate had been processed through the National Treasury. The retention funds were retained by the Employer as per the Contract as</p>	Resolved	

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	<p>down amount of Kshs.825,650,704. However, the amounts were not supported by any documentary evidence. Further, evidence of notifications of debits from ICO (INSTITUTO DE CRÉDITO OFICIAL) to The National Treasury as well as dates of disbursements were not provided for audit, contrary to Clause 6 Section 7 of the Credit agreement.</p> <p>Further, the balances have not been supported by reconciled</p>	<p>captured in every Interim Payment Certificate. The retained moneys were held back by the ICO bank on behalf of the Employer to be released to the Contractor only when authorized by the Employer, National Irrigation Authority through a payment certificate</p>		

Rwabura Irrigation Development Project

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	<p>special accounts from The National Treasury or Disbursement schedule from the Ministry of Water, Sanitation and Irrigation. In addition, in line with FIDIC contracts (Fédération Internationale des Ingénieurs - Conseils) generally a sum equal to 5 to 10 percent of the total cost of works, should be retained by the Employer for the purpose of repairing any defects to the works. Disclosed under Annex 4c is a balance of</p>			

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Kshs.102,527,566 relating to amounts due to third parties as retention. The balance was not supported by any verifiable evidence.</p> <p>In the circumstance, accuracy and completeness of cumulative loan draw down balance of Kshs.825,650,704 and retention amount of Kshs.102,527,566 could not be verified. Please refer</p>			
	<p>4. Long Outstanding Payables</p>	<p>i. The figure of Kshs.538,349 in relation to</p>	<p>Resolved</p>	

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	<p>The financial statements under Annex 4a reflects pending bills amounting to Kshs.14,917,933 as at 30 June, 2024 out of which Kshs.538,349 was in relation to a pending claim by Strecco Engineering Limited which has remained outstanding for over three (3) financial years. Management did not provide satisfactory explanations for failure to settle the claim. Further, the pending bills include Kshs.890,401 for land</p>	<p>a pending to Strecco Engineering Limited which has remained outstanding for over three (3) financial years was in relation to fee Note No. 03 of the contact between the Project and Strecco Ltd for services rendered on the Consultancy services for Construction Supervision for Rwabura Irrigation Development Project, Phase 1. Contract No. the project/T/121/2019-2020.</p>		

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	<p>compensation which includes an amount of Kshs.285,250 that has been pending since 2021/2022. Similarly, Management has not provided explanations for failure to settle the bills.</p>	<p>This bill has been outstanding as consultant had not confirmed its non-viability. The Consultant has since confirmed this vide letter Ref No. RISD/PNW/1/03.</p> <p>ii. The figure of Kshs.890,401 to the financial statements is given as a disclosure to the statements. It refers to the difference between the total compensation figure in the Persons Affected by</p>		

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
		<p>the Project (PAPs) Nominal role and the actual payments as at 30 June, 2024.</p> <p>iii. The figure of Kshs.285,250, payable to Project Affected Persons (PAPs) refers to stale cheques which were declined by the beneficiaries due to family succession issues. The same will be paid once the cases are settled. Please refer to annex IV.</p>		

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Budgetary Control and Performance</p> <p>The statement of comparative budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.753,000,000 and Kshs.495,461,702 respectively, resulting to an under-funding of Kshs.257,538,298 or 34% of the budget. However, the project spent an amount of Kshs.496,402,632 against actual receipts of Kshs.495,461,702 resulting to</p>	<p>Management Response</p> <p>i. The under-absorption of funds allocated was occasioned by the delays in submitting proper supporting documents for processing of payment documents. However the contractor has since submitted the fully supported Interim Payment Certificates (IPCs) No. 33 to IPC 36 for payment during the current financial year, 2024/2025.</p>		

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved/Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>over-utilization of Kshs.940,930 or 0.2% of actual receipts, which was not explained.</p> <p>The under-funding affected the planned activities and may have impacted negatively on the Project completion and service delivery to the public.</p>	<p>ii. The figure of Kshs.940, 930 indicated as over-utilization of the actual receipts was spent from the total project cumulative receipts balance as at 30 June, 2024..</p>		
	<p>Unresolved Prior Year Matters</p> <p>In the report of the previous year, several issues were raised under Report on Lawfulness</p>	<p>The management has been able to resolve prior year audit issues during the current financial year</p>		

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury Circulars.	2024/2025. Please refer to annex V		
<p>B. REPORT ON LAWFULNESS AND EFFECTIVENE</p>	<p>1. Failure to Open and Maintain a Project Bank Account The statement of financial assets and liabilities reflects</p>	The Project bank account which had not been opened during the financial year under review has since been	Resolved	

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p>SS IN USE OF PUBLIC RESOURCES</p>	<p>cash and cash equivalents balance of Kshs.35,570,602 as disclosed in Note 11 to the financial statements. However, the Project does not have a separate account, and continued to receive the counterpart funds through the National Irrigation Authority's Development bank account. This is contrary to Regulation 76(1) of the Public Finance Management (National Government) Regulations, 2015 which provides that for</p>	<p>opened. Please refer to Annex VI</p>		

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>the purpose of disbursement of project funds, there shall be opened and maintained a project account for every project at Central Bank of Kenya.</p> <p>In the circumstances, Management was in breach of the law.</p>			
	<p>2. Delay in Processing of Payment Certificates</p> <p>The statement of receipts and payments and Note 8 to the financial statements reflects acquisition of non-financial</p>	<p>The delay in processing payments to the contractor were due to late submission of requested documents to support payment certificate by</p>	<p>Resolved</p>	

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>assets cumulative to date balance of Kshs.859,383,784 (€16,857,357) which includes Kshs.488,334,542 relating to the year under review. Audit of the Project progress report for the month of June, 2024 revealed that the Project was completed by April, 2024 after an extension of twenty (20) months as summarized in the table below. The contractor to date has claimed Euro (€)5,128,747 out of which €4,763,816.82 have been paid.</p>	<p>contractor, delay in renewing bank guarantee and performance bond.</p>		

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

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	<p>Available information indicate that the Project was commissioned on April, 2024. However, interim payment certificates (IPCs) Nos 33-36 amounting to Euros (€) 371,851 have not been processed for payment due to expiry of a bank guarantee and performance bond on 13 May, 2024. Further, interim payment certificates No.36 of an amount of Euro 279,035 was submitted by the contractor on 26 April,</p>			

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>2024 and by 30 June, 2024 had not been certified for payment.</p> <p>In the circumstances, Management was in breach of the law.</p>			
	<p>3. Project Implementation and Viability</p> <p>The Project field inspection carried out along the Thiririka and Rwabura conveyance systems, in October, 2024 revealed that the Project was substantially complete and was currently under a defect</p>	<p>The damages observed were due to land slide which occurred during the recent above normal rainfall while the projects was in defects liability period. The project is still in the care of the works by the contractors until end of</p>	<p>Resolved</p>	

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>liability period set to end in February, 2025. Despite these advancements, challenges remained that needed addressing to ensure the Project's long-term success and sustainability as analysed below;</p> <p>3.1 Rwabura Irrigation Development Project Conveyance Systems 3.1.1 Thiririka System</p>	<p>Defects Liability period. The contractor is scheduling himself to attend to the defects arising during this period. The land slide is considered as a force majeure and was an unexpected natural phenomena unforeseen and beyond the control of both parties. The damages observed were due to land slide which occurred during the</p>		

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>The water intake was filled with trash which had almost blocked the sluice gate and twigs, trees, and soil deposits had accumulated inside the sedimentation basin. The air valve vent at the sedimentation basin was damaged, potentially compromising the system functionality. Base support of blocks and anchor blocks were damaged by scouring water, and steel pipes buried under debris from a landslide. Bends linking the pipes at the</p>	<p>recent above normal rainfall while the projects was in defects liability period. The project is still in the care of the works by the contractors until end of Defects Liability period. The contractor is scheduling himself to attend to the defects arising during this period. The land slide is considered as a force majeure and was an unexpected natural</p>		

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

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	<p>waterfall were similarly damaged. The section valve or washout valve chamber was damaged, highlighting further vulnerabilities in the system.</p> <p>Further, the audit inspection revealed extensive scouring and loss of foundation support material for both pipe support blocks and PVC pipes. The twin steel pipes were covered by spoil from a landslide, and a fallen tree caused additional damage to the uPVC pipes. At</p>	<p>phenomena unforeseen and beyond the control of both parties.</p> <p>Care and security of the works including the drip kits became the responsibility of the beneficiaries as of the time they were handed over to the farmers in March and April 2024. The matter has been reported to the police and appropriate recoveries made. Further</p>		

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

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	<p>the gully crossing, the uPVC pipes lost foundation support material and uPVC backfill material along the pipeline. The damaged section valve chamber adds to the urgency of addressing these findings to ensure the integrity and functionality of the Thiririka System.</p> <p>The water intake was more than half filled with trash, twigs, trees, and soil deposits almost to the point of blocking the sluice gate. However, the</p>	<p>investigations are ongoing. Please refer to Annex VII As of the time the project was handed over to the project beneficiaries, operation and management of the project became the responsibility of the famers/beneficiaries. However, National Irrigation Authority is monitoring the operation of the project and any necessary support would be offered to the farmers in</p>		

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

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	<p>fittings were not affected by the floodwaters and remained in good condition. Gabion boxes were markedly wasting away and uPVC backfill material along the pipeline was lost as a result of the landslide raising concerns about the stability and functionality of the conveyance system. These issues underscore the urgent need for remedial action to restore the system's operational capacity and prevent further deterioration.</p>	<p>collaboration with the county government, which is charged with agricultural extension activities. However, The contractor attends to major defects during the defects liability period.</p>		

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

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	<p>3.2 Theft of Irrigation Kits</p> <p>During the site visit, interactions with representatives from the unregistered farmers group revealed that 900 irrigation kits were stolen after the contractors completed their work. This theft has had significant implications, as it translates to approximately 30% of the prospected farmers being unable to obtain the necessary kits, which are not</p>			

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

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	<p>available in the local Kenyan market and must be imported from Spain. Police report and relevant case documents regarding the case were not provided for review and the matter was not included in both the periodic project status reports and internal audit reports.</p> <p>3.3 Projects Office Fencing Rwabura Irrigation Project office is complete and currently in use. However, the</p>			

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

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	<p>office fenced is made up of temporary iron sheet which is a security risk to the materials stored within the office compound.</p> <p>3.4 Slow Uptake of Irrigation Kits by Beneficiaries The audit identified significant issues regarding the slow uptake of irrigation kits by beneficiaries. According to interim officials of the Irrigation Water Users Association (IWUA), only 1,284 or 45% out of 2,904</p>			

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

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	<p>irrigation kits had been issued to farmers and the balance of 1,620 or 55% of the kits remained unclaimed. To receive these kits, farmers were required to pay a one-off registration fee of Kshs.1,800 and a monthly fee of Kshs.500. However, this information could not be verified as the targeted irrigation water users (IWUA) were not formally registered and have no bank accounts. Further, there was no evidence to confirm that the</p>			

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

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	<p>1,284 farmers had made the necessary payments.</p> <p>In addition, the balance of 1,620 kits not issued were not held by IWUA officials, but were instead kept at a local Primary Project, raising concerns about the terms of storage and security measures in place. In the event of theft or vandalism, it remains unclear what actions would be taken to mitigate such risks.</p> <p>3.5 Project Viability</p>			

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

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	<p>The Project was commissioned in April, 2024 as completed and ready to take off. However, no remedial actions have been taken regarding the stolen irrigation kits, leaving a substantial gap in the resources for the intended beneficiaries. Compounding these challenges, the irrigation kits are not available locally, necessitating costly imports that could hinder accessibility for farmers. Further, the</p>			

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

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	<p>identified defects caused by landslides in the irrigation system remain unaddressed, posing risks to the functionality and sustainability of the irrigation infrastructure.</p> <p>In the circumstances, the Project's expected benefits which included bringing 1,500 acres under irrigation, supporting the production of horticultural crops and fruits, thereby enhancing food security and value for money</p>			

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

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	may not have been obtained from the Project.			
	<p>4. Lack of Individual Project Budgets</p> <p>The statement of comparative budget and actual amounts reflects final budget of Kshs.10,000,000 under transfers from Government entities. Although Management provided approved budget for 2023/2024 financial year indicating the total budgeted amounts for the Project, the</p>	<p>The counterpart funds were allocated as one line item in FY 2023/24. Project Manager has provided work-plan to show activities implemented with counterpart funds as illustrated below.</p>	Resolved	

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

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	<p>approved itemized budget reflected in the statement of comparison of budget and actual amounts was not provided for audit review. In the circumstances, the purpose for which budget was intended to finance, could not be confirmed.</p>	<table border="0"> <tr> <td>SNo.</td> <td>Activity</td> <td>Timeline</td> <td>Budget</td> </tr> <tr> <td></td> <td></td> <td>Responsibility</td> <td></td> </tr> <tr> <td>1.</td> <td>Domestic travel and subsistence</td> <td>Q1-Q4</td> <td>4,000,000.00</td> </tr> <tr> <td></td> <td>Project Manager (PM)</td> <td></td> <td></td> </tr> <tr> <td>2.</td> <td>Printing and Advertisement</td> <td>Q1-Q4</td> <td>300,000.00</td> </tr> <tr> <td></td> <td>PM</td> <td></td> <td></td> </tr> <tr> <td>3.</td> <td>Specialised Services</td> <td>Q2 and Q4</td> <td>2,500,000.00</td> </tr> <tr> <td></td> <td>PM</td> <td></td> <td></td> </tr> </table>	SNo.	Activity	Timeline	Budget			Responsibility		1.	Domestic travel and subsistence	Q1-Q4	4,000,000.00		Project Manager (PM)			2.	Printing and Advertisement	Q1-Q4	300,000.00		PM			3.	Specialised Services	Q2 and Q4	2,500,000.00		PM				
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*Rwabura Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

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		4. Hospitality Q1-Q4 2,200,000.00 PM 5. Routine maintenance and transport Q1-Q4 500,000.00 PM 6. Others Q1-Q4 500,000.00 PM Total 10,000,000.00		
	5. Ambiguous Draw Down Terms	The payments were done based on the value of the work done as detailed in		

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


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	<p>Review of the credit facility agreement and the commercial contract agreement for construction works revealed that there were no stipulated key deliverables attached to loan draw downs. In the course of the financial year, a total of nineteen (19) Interim Payment Certificates (IPCs) were certified for payment amounting to € 3,094,846, equivalent to Kshs.487,961,702 translating to 45% of the contract price. Its</p>	<p>each IPC. The works done, which were priced, were used as the deliverable. The draw down is proportionate to the payments done to the contractor</p>		


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

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	<p>therefore not clear on the specific project timelines and milestones achieved to trigger 45% drawn down.</p> <p>The absence of stipulated key deliverables in loan drawdowns poses significant risks that can affect financial management, compliance, operations, reputation, and future funding opportunities.</p>			

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


.....
Eng. Charles Muasya, MBS
Chief Executive Officer


.....
Eng. Risper Okumbe
Project Manager

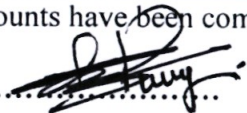

.....
CPA Leah Muoria
Project Accountant
ICPAK Member No: 10230


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


Annex 2: Reconciliation of inter-the project transfers

Project Name:			
Break down of transfers from the State Department of Irrigation			
a. Government Counterpart funding			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
Quarter 1 : RC288994	28/08/2024	2,000,000	FY 2024/2025
Quarter 2 : RC293019	18/11/2024	2,000,000	FY 2024/2025
Quarter 3 : RC300666	09/05/2025	2,000,000	FY 2024/2025
Quarter 4 : RC305892	11/06/2025	2,000,000	FY 2024/2025
	Total	8,000,000	
B. Direct payments			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
Raesa payments (IPC 33-35)	02/05/2025	12,372,740	FY 2024/2025
	Total	12,372,740	
	Total (A+B)	20,372,740	

The above amounts have been communicated to and reconciled with the Parent Ministry/ State Department

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Eng. Charles Muasya, MBS
Chief Executive Officer

.....

Eng. Risper Okumbe
Project Manager

.....

CPA Leah Muoria
Project Accountant
ICPAK Member No: 10230

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

Annex 3: Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) Previous Year	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) Current Year
Work in Progress	1,062,274,546	625,524			1,062,900,070
Total	1,062,274,546	625,524			1,062,900,070

**The figure of Kshs.1,062,900,070 relates to certified Irrigation works as at 30 June 2025.*

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

Annex 4: Other Support Documents

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30th June 2025
- iii. Board of Survey Report
- iv. Special Deposit Account(s) reconciliation statement(s)