

REPUBLIC OF KENYA



REPORT

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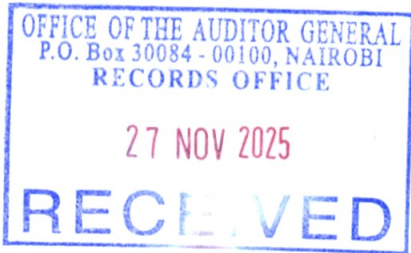
ON

**BURA REHABILITATION DEVELOPMENT
PROJECT CREDIT NUMBERS: BADEA 0595,
KUWAIT 752, OPEC 1154P**

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

NATIONAL IRRIGATION AUTHORITY





PROJECT NAME: BURA REHABILITATION DEVELOPMENT PROJECT

IMPLEMENTING ENTITY: NATIONAL IRRIGATION AUTHORITY

PROJECT GRANT/CREDIT NUMBERS:

BADEA 0595

KUWAIT 752

OPEC 1154

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)

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1. Acronyms and Definition of Terms

NIA	National Irrigation Authority
NT	National Treasury
IPSAS	International Public Sector Accounting Standard
PFM	Public Finance Act
BADEA	Arab Bank for Economic Development in Africa
OPEC	Organization of the Petroleum Exporting Countries
BRDP	Bura Rehabilitation Development Project
GoK	Government of Kenya
BRDP	Bura Rehabilitation Development Project
AG.	Acting
ENG.	Engineer
M & E	Monitoring and Evaluation
CEO	Chief Executive Officer
CPA	Certified Public Accountant
ICPAK	Institute of Certified Public Accountant Kenya
PSASB	Public Sector Accounting Standards Board
IPC -	Interim Payment Certificate
FY	Financial Year
KSHS.	Kenya Shillings
NB.	Note Better
B/F	Brought Forward
C/F	Carried Forward
BIS	Bura Irrigation Scheme
BAL	Balance
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 Bura Rehabilitation Development Project (BRDP).

Objective

The key objective of the project is to increase the productivity of maize and other crops by improving the irrigation infrastructure and strengthening the operations and maintenance frame-work in Bura Irrigation and Settlement Scheme. Thereby, contributing to raising the farmers' livelihoods in Bura Scheme at large and overall increase in food security in Kenya.

Address

The project headquarters offices 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:

- Bura Site Office

Contacts: The following are the project contacts

P.O. Box: 30372-00100

Telephone: (254) -20-2711380/2711468

E-mail: ceo@irrigationauthority.go.ke

Website: irrigationauthority.go.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	27 05 2013
Project End Date:	30 09 2025
Project Manager:	Eng. Joseph Karangu
Project Partners:	OPEC, BADEA, KUWAIT fund /GoK

2.3 Project Overview

Line Ministry or State departments/ County Department	State Department of Irrigation
Project number	KUWAIT 752/ OPEC1154P/ BADEA 331
Strategic goals of the project	The strategic goals of the project are as follows: (i) Rehabilitation of irrigation works and provision of equipment (ii) extension services and credit to allow reliable irrigation of 15,000 acres
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Phase 1: Construction of a submerged weir, diversion canal head regulator and siltation basin is at 99.4% completion. (ii) Phase 2: Construction and lining of connecting canal with discharge capacity of 11m ³ /sec and 26.3 km in length is at 90% completion.
Other important background information of the project	The project has 3 major components Phase 1: Construction of diversion facilities at Kora Kora site, riverbank protection works and sedimentation basin. Phase 2: Construction and lining of connecting canal with discharge capacity of 11m ³ /sec and 26.3 km in length.

Bura Rehabilitation Development Project

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

	Phase 3: Rehabilitation and lining of existing irrigation infrastructure.
Areas that the project was formed to intervene	<p>The project aimed at changing the irrigation scheme from pump-fed to gravity fed system to reduce the cost of operation and maintenance and ease irrigation of 15000 acres to enhance</p> <ol style="list-style-type: none">i. Food and nutrition Security through Irrigation of food cropsii. Improved beneficiary incomeiii. Enhancing manufacturing through irrigation of industrial crops such as cotton and sunflower
Project duration	<p>Phase 1: The project civil works started on 27th May 2013 and is expected to run until 13th December 2024 While the design and consultancy commenced on 11th July 2008 and is spread over the project period.</p> <p>Phase 2: Construction and lining of canal by Tunasco/Marfa/Marsh joint venture started on 10/03/2021 and is expected to be completed in 30th September 2025.</p>

Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the project:

- (i) Equity Bank Limited – Project Bank Account.

2.5 Independent Auditor

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

2.6 Roles and Responsibilities

No	Names	Title designation	Key qualification	Responsibilities
1.	Eng. Charles Muasya, MBS	Chief Executive Officer	Over 20 years of experience in the development and management of irrigation schemes	Overall coordination of the project from December 19th, 2022.
2.	Eng. Loise Kahiga	Ag. Director Irrigation development services	Over 10 years of experience in the development of irrigation infrastructure.	Coordination of Engineering matters on the project.
3.	Eng. Joseph Karangu	Project Manager	Over 10 years' experience in dam and irrigation infrastructure construction.	Coordinating all technical matters of the project
4.	Eng. Alfred Munyoki	Assistant project Manager	Over 10 years' experience in dam and irrigation infrastructure construction.	Assisting the project Manager in Coordinating all technical matters of the project
5.	CPA. Leah Muoria	Project Accountant	Over 15 years in Financial management	Advising on project financial aspects.
6.	M/s Patricia Siele	Procurement officer	Over 7 years of experience in procurement matters	Advising on procurement

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

				matters for the project.
7.	Dr. Sebastian Mwarania	Team leader-Consultant	Over 20 years' experience on Rehabilitation and dam construction	Responsible for day to day implementation of the Project
8.	Jullyanne Okello	M & E Officer	Over 15 years in project monitoring	Responsible for project monitoring and evaluation

2.7 Funding summary

The Project is for a duration of 12 years from 2013 to 2025 with an approved budget of US\$ 118,893,500 equivalent to Kshs 8,097,112,000 as highlighted in the table below:

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Development Partner Commitment		Amount received to date – (30 th June 2025)		Undrawn balance to date	
	Development Partner currency	Kshs	Development Partner currency	Kshs	Development Partner currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
(i) Loan						
KUWAIT	13,495,286	1,375,920,000	10,955,631	1,116,987,894	2,539,656	258,932,106
BADEA	8,000,000	815,644,800	5,733,993	584,612,738	2,266,007	231,032,062
OPEC	6,000,000	611,733,600	5,601,902	571,145,276	398,098	40,588,324
(ii) Counterpart funds						
Government of Kenya	51,922,729	5,293,813,000	46,452,079	4,736,049,555	36,600,921	557,763,445
Total	79,418,015	8,097,111,400	68,743,605	7,008,795,463	41,804,681	1,088,315,937

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2025)		Cumulative amount paid to date – (30 th June 2025)		Unutilised balance to date (30th June 2025)	
	Development Partner currency	<i>Kshs</i>	Development Partner currency	<i>Kshs</i>	Development Partner currency	<i>Kshs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
KUWAIT	10,955,631	1,116,987,894	10,955,631	1,116,987,894	-	-
BADEA	5,733,993	584,612,738	5,733,993	584,612,738	-	-
OPEC	5,601,902	571,145,276	5,601,902	571,145,276	-	-
(ii) Counterpart funds						
Government of Kenya	46,452,079	4,736,049,555	36,590,321	3,730,588,106	9,861,758	1,005,461,449
Total	68,743,605	7,008,795,463	58,881,847	6,003,334,014	9,861,758	1,005,461,449

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

- i) Budget performance against actual amounts for the current year is 88% and 87% for cumulative to-date,
- ii) Physical progress based on outputs and outcomes of phase 1 is 99% complete, while phase 2 is 90% complete since project commencement,
- iii) The absorption rate for each year since the commencement of the project has been at 86%.
- iv) List the implementation challenges and recommend the next steps.
 - a. Adverse climatic condition (Hot weather and high humidity) at the project location.
 - b. Some canal sections were flooded with water. Mitigation Measures; Construction of dykes and desilting the canal before excavations and prioritizing construction of Canal civil structures to allow for drainage of the flooded sections

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 entity's performance against predetermined objectives at the end of each financial year.

The key development objectives of the *Project's 2013-2024* plan are to increase the productivity of maize and other crops by improving Irrigation infrastructures and strengthening of the operations and maintenance framework in Bura Irrigation and Settlement (BIS) Scheme, thereby contributing to raising the farmers' livelihood in Bura Scheme area 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.

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

Project	Objective	Outcome	Indicator	Performance
Bura Rehabilitation Development Project.	To increase the productivity of Maize and other crops.	Construction and improvement of Irrigation facilities.	Percentage increase in Maize and other crops produced.	The Project is on-going and estimated level of progress is at phase 1:99.4% complete phase 2: 90% complete

4. Environmental and Sustainability Reporting

1. Sustainability strategy and profile

BRDP 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

BRDP is aware that the delivery of its core mandate can have negative impacts on the environment. Therefore, the Authority 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.

- Preservation of trees

The contractor was instructed to avoid unnecessary cutting of trees especially the borrow areas and along the road leading to the borrow areas.

- Sanitation and Welfare

The contractor has provided adequate toilets in the main camp with a septic tank and soak away. The team working office site have been provided with mobile toilets.

- Pollution Control

The contractor has constructed a workshop and a garage for servicing and maintaining plant and equipment.

3. Employee welfare

In carrying out its mandate, BRDP 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.

BRDP has put in place efforts to enhance skills gaps by undertaking skills gaps analysis through which annual staff training projections are prepared. The identified skills gaps and

training needs are addressed through interventions such as recruitment, outsourcing, capacity building, and training, coaching and mentoring.

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

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

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

4. Marketplace practices-

a) Responsible Supply chain and supplier relations-

As stakeholders are becoming increasingly interested in business affairs, BRDP 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.

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

b) Responsible ethical practices

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

c) Regulatory impact assessment

Bura Rehabilitation Development Project (BRDP) conducts environmental impact assessment on all its projects prior to implementation to ensure that all projects are evaluated on their the economic, environmental and social impact thus promoting environmentally sound and sustainable development through the identification of appropriate alternatives and mitigation measures. BRDP 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 conducted through Kenya Gazette which is accessible to the public and opinions for the public is received, evaluated.

5. Community Engagements

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

i. Governance Responsibility.

The Project conducted an induction tour of its Board Members from March 4th to 6th, 2024 to ensure they have sufficient information to fulfil their oversight roles and responsibilities. The Board Members during an induction tour in Bura Irrigation Development Project, Tana River County.



ii. 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. Within the Bura Rehabilitation Development project area the stakeholders have planted mangoes and other indigenous seedlings.

iii. Social Issues

The contractor gave priority to the local communities mainly the youths to work in the project. During this period over 70% of the available positions were allocated to the local community

5. Statement of Project Management Responsibilities

The Chief Executive Officer for the *Bura Rehabilitation Development Project* and the **Project Manager** are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for the financial year ended on June 30, 2025.

This responsibility includes (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the project, (v) Selecting and applying appropriate accounting policies and (v) Making accounting estimates that are reasonable in the circumstances.

The *Chief Executive Officer* for the *Bura Rehabilitation Development Project* and the *Project Manager* accept responsibility for the Project's financial statements, which have been prepared on the accrual basis method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

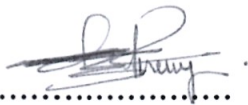
The *Chief Executive Officer* for the *Bura Rehabilitation Development Project* and the *Project Manager* are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June 30, 2025, and of the Project's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

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

Approval of the Project Financial Statements

The Project financial statements were approved by the *Chief Executive Officer* for the *Bura Rehabilitation Development Project* and the *Project Manager* on

26/11 2025 and signed by:



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



.....
Eng. Joseph Karangu
Project Manager

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON BURA REHABILITATION DEVELOPMENT PROJECT CREDIT NUMBERS: BADEA 0595, KUWAIT 752, OPEC 1154P 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 the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on the Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on the 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 Bura Rehabilitation Development project, Loan Numbers: BADEA 0595, Kuwait 752 and OPEC 1154P set out on pages 1 to 27, which comprise of the statement of financial

Report of the Auditor-General on Bura Rehabilitation Development Project Credit Numbers: Badea 0595, Kuwait 752, Opec 1154p for the year ended 30 June, 2025 - National Irrigation Authority

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 matters described in the Basis for Qualified Opinion section of my report, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of Bura Rehabilitation Development Project, Loan Numbers: BADEA 0595, Kuwait 752 and OPEC 1154P 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 the OPEC, KUWAIT and BADEA Loan Agreements dated 19 November, 2007, 13 December, 2007 and 28 April, 2008 between the OPEC Fund for International Development, KUWAIT Fund for Arab Economic Development and the Arab Bank for Economic Development in Africa respectively and the Republic of Kenya and the Public Finance Management Act, 2012 and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025..

Basis for Qualified Opinion

1. Failure to Transfer Counterpart Funds to Project Account

Review of the budget presented for audit revealed that the Bura Rehabilitation Development Project had a budget of Kshs.250,000,000 which was to be received through the National Irrigation Authority which is the implementing entity. However, a scrutiny of the Equity Bank account dedicated for the project revealed that only Kshs.112,500,000 was transferred by NIA to the project account on 11 September, 2024 resulting to an un-explained variance of Kshs.137,500,000. Further, it is not clear how much was received for the project during the period. It was therefore not clear how the project has been financing its planned operations.

Further, a review of the bank statements and cashbooks revealed that all the project expenditures are processed through the National Irrigation Authority's bank accounts. This results in co-mingling of donor funds with the entity's own funds and undermines the principles of fund accountability, transparency and traceability. It also increases the risk of misappropriation, misclassification of expenditures and non-compliance with donor financing agreements and public financial management regulations.

In the circumstances, the accuracy of the cash and cash equivalent balance of Kshs.86,785,384 could therefore not be confirmed.

2. Failure to Maintain a Separate Account for Retention Money

The statement of financial position as at 30 June, 2025 reflects third party deposits amount of Kshs.260,962,730 as disclosed in Note 11 to the financial statements, which was in respect to contractors' retention. However, review of the project's bank

accounts revealed that the entity does not maintain a separate bank account for the retention money. Although the Management explained that all retention monies are deposited in the retention account for the implementing entity, review of the implementing entity's retention account No.01136128012902 revealed that the account had a balance of Kshs.26,585,219 which could not be tied to the reported balance of Kshs.260,962,730.

In the circumstances, the accuracy of the retention money balance of Kshs.260,962,730 could therefore not be confirmed and the financial statements may be grossly misstated.

3. Unexplained Variance in the Funding Summary

Note 2.7 on funding Summary indicates sources of funds amounting to Kshs.7,008,795,463 against the application of fund amounting to Kshs.6,000,334,014 leading to Unutilized amount of Kshs.1,005,461,449. However, the statement of financial position indicates a cash and cash equivalent balance of Kshs.86,785,384 leading to an unexplained variance of Kshs.918,676,065.

In the circumstances, the accuracy of the funding Summary could not be confirmed.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Bura Rehabilitation Development Project Loan Numbers: BADEA 0595, Kuwait 752 and OPEC 1154P 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.

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. I have determined that there are no other key audit matters to communicate in my report.

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2025 reflects total receipts for budget and actual amounts on comparable basis of Kshs.680,000,000 and Kshs.597,573,230 respectively, resulting in a shortfall of Kshs.82,426,770 or approximately 12% of the approved budget. Similarly, the statement of comparison of budget and actual amounts for the year ended 30 June, 2025 reflects actual on comparable basis expenditure of Kshs.1,444,274,121 against an approved budget of Kshs.680,000,000 resulting in an over-absorption of Kshs.764,274,121 or approximately 212% of the approved budget.

Further, the over- absorption was not supported with approval by the cabinet secretary contrary to Section 47 of the Public Finance Management (National Government) Regulations, 2015 which requires the accounting officer to seek approval of the Cabinet Secretary and indicate the actions taken to mitigate any budget variations and the management did not explain the source of excess spending.

In the circumstances, the accuracy of expenditure amounting to Kshs.1,444,274,121 could not be confirmed.

2. Failure to Provide Itemized Budget

The statement of comparison of budget and actual amounts indicates the budget and actual amounts, which could not be traced to any approved budget because approved itemized budget for the entity was not provided. Although the development budget was included as one line item in the development budget of the parent entity (National Irrigation Authority), Management explained that there was no itemized budget for the entity since they only prepare a program-based budget intended for projects confirmed. The accuracy and authenticity of the amounts disclosed in the statement of comparison of budget and actual amounts could therefore not be confirmed.

Further, the following anomalies were noted:

- i. It was not possible to establish how the project expenditures are being controlled and monitored in the absence of an approved budget and if there are safeguards in place to prevent misallocation or misuse of funds in the absence of a documented and approved financial plan in form of a budget.
- ii. Without a budget it was not possible to establish how the project activities being prioritized and costed.
- iii. It was not possible to establish if the project complied with the Public Finance Management Act and relevant Treasury circulars requiring budget approval for donor-funded projects.
- iv. It was not possible to establish if there were any expenditures incurred without formal budget approval, and if so, under whose authority.

The management was therefore in breach of law and should therefore, prepare and provide the approved budget for audit verification.

The authenticity of the budget provided for audit could not be confirmed.

Without a budget, it is unclear how spending limits and priorities are being enforced.

My Opinion is not modified in respect of these matters.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the audit section of the report, including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters above, provide the basis for my audit opinion on the accompanying financial statements.

Other Matter

Unresolved Prior Year Audit Matters

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

1. Unconfirmed Cash and Cash Equivalent
2. Slow Implementation of Project in Lot 2-Constuction of New Main Canal Associated civil works from Korakora to Nanighi

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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

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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect(s) of the matters described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Project Implementation Status

1. Bura Gravity Lot 1

National Irrigation Authority awarded contract for Bura Gravity Lot 1 to Afrikon Limited at a cost of Ksh.1,786,927,858.83 for construction of intake weir and other works on Bura gravity project. A contract was signed and works commenced on 3 October 2019. Field inspection carried out in July, 2025 revealed the following anomalies;

- i. The contractor was not on site.
- ii. The project did not have a signboard as specified in the bill of quantities.
- iii. Works on the housing units had stalled.
- iv. Construction of store, staff houses, roads and parking area were not done.
- v. The project is poised to stall as the Management did not provide any action plan to ensure that the contractor is back and work resumes.

2. Bura Gravity Lot 2

National Irrigation Authority awarded contract for Bura Gravity Lot 2 to a contractor at a cost of Kshs.1,764,278,550 for construction of main canal Bura Gravity project. The contract was signed and works commenced on 7 April, 2021. However, Field inspection carried out in the month of July, 2025 revealed that the following anomalies;

- i. The project did not have a sign board as stipulated in the bill of quantities.
- ii. Parts of the main canal did not have a dyke as stipulated in the Bill of quantities.
- iii. Construction of the service road was not complete.
- iv. Parts of the dyke have been swept away by the flood.
- v. Animal & human bridges and crossings did not have guard rails as indicated in the bills of quantity.
- vi. Parts of the dyke are being used as service road and thus it may not serve the intended purpose.
- vii. Canal stone lining had not been done.

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

Responsibilities of the Management and the Project Steering Committee

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

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

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

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

The Board of Management is 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 requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise

from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL


Nairobi

28 November, 2025

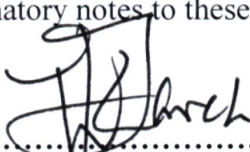
7. Statement of Financial Performance for the Year Ended 30th June 2025.

	Notes	2024/2025
		Kshs
Revenue		
Revenue Transfers	6	250,000,000
Total revenue		
Expenses		
Use of goods and services	7	4,868,799
Total expenses		4,868,799
Surplus/ (deficit)		245,131,201

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


.....

Eng. Charles Muasya, MBS
Chief Executive Officer


.....

Eng. Joseph Karangu
Project Manager


.....

CPA. Leah Muoria
Project Accountant
ICPAK Member No: 10230

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

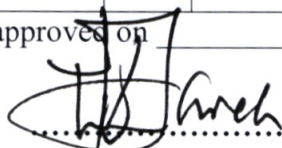
8. Statement of Financial Position as at 30th June 2025

	Note	30 th June 2025	1 st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	8	86,785,384	917,808,297
Total Current Assets		86,785,384	917,808,297
Non-Current Assets			
Property, Plant and Equipment	9	7,201,757,677	5,891,579,203
Total Non- Current Assets		7,201,757,677	5,891,579,203
Total Assets (a)		7,288,543,061	6,809,387,500
Liabilities			
Current Liabilities			
Trade and Other Payables	10	45,921,836	188,919,823
Third Party Deposits	11	260,961,830	231,512,713
Total Current Liabilities		306,883,666	420,432,536
Total Liabilities (b)		306,883,666	420,432,536
Net Assets (a-b)		6,981,659,395	6,388,954,964
Represented By:			
Accumulated Reserves		4,708,913,487	4,463,782,287
KUWAIT		1,116,987,894	769,414,663
BADEA		584,612,738	584,612,738
OPEC		571,145,276	571,145,276
Total Net Assets		6,981,659,395	6,388,954,964

The financial statements were approved on _____ 2025 and signed by:


.....

Eng. Charles Muasya, MBS
Chief Executive Officer


.....

Eng. Joseph Karangu
Project Manager


.....

CPA. Leah Muoria
Project Accountant

ICPAK Member No. 10230

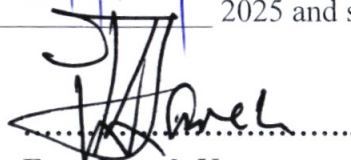
9. Statement of Changes in Net Assets


Description	Accumulated Reserves	BADEA	KUWAIT	OPEC	Total
					Kshs
As at 30th June 2024 (Cash Basis)	917,808,297				917,808,297
Adjustments:					
Asset Recognition	3,966,406,526	769,414,663	584,612,738	571,145,276	5,891,579,203
Liabilities recognition	(420,432,536)				(420,432,536)
As at 1st July 2024	4,463,782,287	769,414,663	584,612,738	571,145,276	2,422,548,438
Additions	245,131,201	-	347,573,231	-	597,573,231
As at 30th June 2025	4,708,913,488	584,612,738	1,116,987,894	571,145,276	6,981,659,396

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

The financial statements were approved on 31/10/2025 and signed by:


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

31/10/2025

.....
Eng. Joseph Karangu
Project Manager


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

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

Description	Note	30 th June 2025
		Kshs
Cashflow from operating activities		
Receipts		
Revenue Transfers		250,000,000
Total receipts		
Payments		
Use of goods and services		(4,868,799)
Total payments		(4,868,799)
		-
Net cash flow from operating activities	12	245,131,201
Cashflow from investing activities		
Acquisition of non-financial assets		(1,423,727,345)
Net cash flows from investing activities		(1,423,727,345)
Cash flow from financing activities		
KUWAIT		347,573,231
Net cash flow from financing activities		347,573,231
Net increase/Decrease in cash and cash equivalents		(831,022,913)
Cash and cash equivalent at 1st July 2024	8	917,808,297
Cash and cash equivalent at end June 2025	8	86,785,384

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	850,000,000	(170,000,000)	680,000,000	597,573,230	82,426,770	88%
Total Revenue	850,000,000	(170,000,000)	680,000,000	597,573,230	82,426,770	88%
Payments						
Use of goods and services	78,000,000	3,000,000	75,000,000	71,598,829	3,401,171	95%
Certified Works	772,000,000	167,000,000	605,000,000	1,372,675,292	-767,675,292	227%
Total Payments	850,000,000	(170,000,000)	680,000,000	1,444,274,121	-764,274,121	212%
Surplus or Deficit	-	-	-	(846,700,891)		

*

- 1. The significant budget performance variances in the last column are attributed to direct payments, which are made based on work completed and certified.*
- 2. The Changes between the original and final budget is as per supplementary II and III*
- 3. Included in the Kshs 1,372,675,292, is the figure of Kshs. 934,354,042 for works which had initially not been capitalized.*

12. Notes to the Financial Statements

1. General Information

The strategic goals of the project are as follows:

- (i) Rehabilitation of irrigation works and provision of equipment.
- (ii) extension services and credit to allow reliable irrigation of 15,000 acres.

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

- (i) Phase 1: Construction of a submerged weir, diversion canal head regulator and siltation basin is at 99.4% completion.
- (ii) Phase 2: Construction and lining of connecting canal with discharge capacity of 11m³/sec and 26.3 km in length is at 90% completion.

The project has 3 major components

- a) Phase 1: Construction of diversion facilities at Kora Kora site, riverbank protection works and sedimentation basin.
- b) Phase 2: Construction and lining of connecting canal with discharge capacity of 11m³/sec and 26.3 km in length.
- c) Phase 3: Rehabilitation and lining of existing irrigation infrastructure.

The project aimed at changing the irrigation scheme from pump-fed to gravity fed system to reduce the cost of operation and maintenance and ease irrigation of 15000 acres to enhance

- i. Food and nutrition Security through Irrigation of food crops
- ii. Improved beneficiary income
- iii. Enhancing manufacturing through irrigation of industrial crops such as cotton and sunflower

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).

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

3. Adoption of New and Revised Standards

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

Standard	Effective date and impact:
IPSAS 43	<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>

Bura Rehabilitation Development Project
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Standard	Effective date and impact:
	<p>statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</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;

Bura Rehabilitation 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 entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>The standard has no direct impact on the project</i></p>
<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

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

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the 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 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 did not record 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 5 under section Statement of Comparison of Budget and Actual Amounts of these financial statements.

c) Property, plant and equipment

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

plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the 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 Project expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Project can demonstrate:

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

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

Notes to the financial statements

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 financial statements.* A financial instrument is any contract that gives rise to a financial asset of one Project and a financial liability or equity instrument of another Project. At initial recognition, 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 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 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 cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless a 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 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

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.

Notes to the financial statements

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 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 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 Project recognizes a loss allowance for such losses at each reporting date.

Financial liabilities

Classification

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.

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

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

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

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 *Project*.

i) Provisions

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

Contingent liabilities

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

Contingent assets

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

k) Changes in accounting policies and estimates

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

Notes to the financial statements

l) Employee benefits

Retirement benefit plans

The *BRDP* provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Project pays fixed contributions into a separate 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 *BRDP* regards a related party as a person or *BRDP* with the ability to exert control individually or jointly or to exercise significant influence over the Project, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Principal and senior managers.

Notes to the financial statements

p) Service concession arrangements

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

q) Cash and cash equivalents

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

r) Subsequent events

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

Notes to the financial statements

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the *BRDP'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 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 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:

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

Provisions

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

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.

Notes to the financial statements

6. Revenue Transfers

Description	FY 2024-25
	KShs
Unconditional Transfers	
GoK Counter Part funding	250,000,000
Total Transfers for the Year	250,000,000

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Total transfers (Current FY)
	Kshs	Kshs
G.o.K Counter Part funding	250,000,000	250,000,000
Total	250,000,000	250,000,000

7. Use of Goods and Services

De scription	FY 2024/25
c	Kshs
Bank charges	12,610
Domestic travel and subsistence	3,975,758
Stationery, Printing, advertising, and information supplies	306,001
Hospitality supplies and services	375,080
Specialized materials and services	16,500
Routine maintenance – vehicles and other transport equipment	182,850
Total	4,868,799

8. Cash and Cash Equivalentents

Description	FY 2024/25	1 st July 2024
	Kshs	Kshs
Cash in Bank	86,785,384	917,808,297
Total Cash and Cash Equivalentents	86,785,384	917,808,297

Project Bank Accounts

Details	30 th June 2025	1 st July 2024
	Kshs	Kshs
Local Currency Accounts		
Project Equity Bank A/c No. 1510284335931	86,785,384	917,808,297
Total bank account balances	<u>86,785,384</u>	<u>917,808,297</u>

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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)	5,891,579,203	5,891,579,203
Additions	1,310,178,474	1,310,178,474
As at 30th June 2025	7,201,757,677	7,201,757,677
Depreciation And Impairment		
As At 30 th June 2025		
Net Book Values		
As at 1 st July 2024	5,891,579,203	5,891,579,203
As at 30 th June 2025	7,201,757,677	7,201,757,677

**Included in the opening balance Kshs 5,891,579,203 is outstanding liabilities as at June 30th 2024 of Kshs. 420,432,536.*

***Additions on work in progress breakdown*

ITEM	AMOUNT (KSHS)
Increase in Contractor's Retention/ Amounts payable to third party (Donor Component)	13,771,140
Total civil works expenditure incurred in the FY 2024-2025	1,439,405,322
LESS: Payables as at June 2024 Paid during the FY 2024-2025	(142,997,988)
TOTAL	1,310,178,474

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Notes to the financial statements

10. Trade and Other Payables

Description	FY 2024 - 2025		1 st July 2024	
	Kshs		Kshs	
Trade payables	45,921,836		188,919,821	
Total trade and other payables	45,921,836		188,919,821	
Ageing analysis: (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	-	-	-	100%
1-2 years	45,921,836	100%	188,919,821	%
Total (tie to above total)	45,921,836	100%	188,919,821	100%

NB: This pertains to the interim payment certificate no. 7 payable by BADEA to Jilk Construction Company Ltd

**The decrease in payables from Kshs. 189,447,919 to Kshs. 188,919,821 is due to change in Exchange rate at the time of settlement.*

11. Third-Party Deposits

Description	2024/2025		1 st July 2024	
	Kshs		Kshs	
Contractor's Retention	260,962,730		231,512,713	
Total deposits	260,962,730		231,512,713	
Ageing analysis: (Refundable deposits)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	135,662,571	52%	231,512,713	100%
1-2 years	125,300,158	48%	-	%
Total	260,962,730	100%	231,512,713	100%

NB: These are Cumulative Retention amount to date

**The decrease in payables from Kshs. 233,222,268 to Kshs. 231,512,713 is due to change in Exchange rate at the time of settlement.*

***Bura Rehabilitation Development Project
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Notes to the financial statements

12. Cash Generated from Operations

Description	FY 2024-25
	Kshs
Surplus/Deficit for the year	245,131,201
Net cash flow from operating activities	245,131,201

13. Special Deposit Accounts

In the year under review, the project did not have a Special Deposit Account.

14. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the *BRDP* 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 *BRDP*, holding 100% of the *BRDP*'s equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Entity, both domestic and external.

There were no transactions involving related parties during the financial year under review.

15. Events after the Reporting Period

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

16. Ultimate And Holding Entity

The *BRDP* is a project under the Ministry of Water Sanitation and Irrigation. Its ultimate parent is the Government of Kenya.

17. Currency

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

20. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
<p>1. Unconfirmed Cash and Cash Equivalents</p>	<p>The statement of financial assets and liabilities reflects a bank balance of Kshs.917,808,096 as detailed in Note 11 to the financial statements. This amount includes a balance of Kshs.856,466,588 held in the Cooperative Bank and Kshs.61,341,508 held in equity bank account. However, the bank reconciliation for Cooperative bank account submitted for audit reflected a balance of Kshs.39,394 resulting to unreconciled variance of Kshs.856,427,194.</p> <p>In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.917,808,096 could not be confirmed.</p>	<p>The figure of Kshs.856,466,588 which is not supported by the Equity Bank certificate was utilized to support payments of other programmes as there were no outstanding certificates for settlement. The action was taken so as to defray legal issues from the long outstanding creditors.</p> <p>This money will be refunded once NIA receives its exchequer.</p> <p>The prior year figure of Kshs.114,692,650 has</p>	<p>Resolved</p>	

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Reference No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	<p>The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Bura Rehabilitation Development project Loan Numbers BADEA 331, Kuwait 752, OPEC 1154P 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.</p>	<p>been journalized back to Work in Progress under NIA.</p>		
REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES				
<p>2. Slow Implementation of</p>	<p>National Irrigation Authority awarded a contract to a joint venture at a contract</p>	<p>Initially the progress was affected by Delays in the</p>		

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

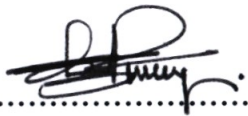
Reference No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
<p>Project in Lot 2- Construction of New Main canal & Associated Civil Works from Korakora to Nanighi</p>	<p>sum of Kshs.1,764,278,550 for construction of new main canal & associated civil works from Korakora to Nanighi which was funded by Government of Kenya (GOK) and Kuwait Fund for Arab Economic Development with an original construction period taking 18 months or 547 days.</p> <p>Review of progress report number 40(21) for July, 2024 revealed that the original completion date was set on 7 October, 2022 but has since been revised as follows, first revised date 20 May, 2023, second revised date 20 October, 2023, third revised date 20 December, 2023 and a fourth completion revised date set on 17 June, 2024. Physical verification in the month of September, 2024 revealed that Lot 2</p>	<p>approval of the master list for exemption of duties and taxes and also by the Effects of COVID 19 containment measures. In addition, Flooding of project site and access roads, erosion and silting of canal due to El Nino rains in November to December 2023 and March to May 2024.</p> <p>These challenges necessitated various extension of time to the current contract completion date of 30th December, 2024 (Addendum attached).</p>		

***Bura Rehabilitation Development Project
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Reference No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	<p>had not been completed and handover report had not been issued as per proposed completion date stated.</p> <p>Further, progress report discloses that the total Interim Payment Certificates (IPCs) raised amounted to Kshs.1,028,196,837 or 58.3 % of the contract sum and the total value of Interim Payment Certificates (IPCs) paid to date was Kshs.904,884,495 or 88% of the IPCs raised. This is an indication of delayed payments of certificates.</p> <p>In the circumstances, the slow implementation of the project may lead to lack of value for money on the project.</p>	<p>It is also good to note that the loan with Kuwait Fund is valid up to 28th April, 2025.</p> <p>However the above challenges were resolved and the project implementation progressed well and is currently at 75% completion and is expected to be completed by December 2024).</p> <p>The total interim payment certificates raised by July 2024 amounted Kes1,028,196,837 while the total amount paid</p>		

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Reference No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
		was Kes 925,377,153, the difference being the amount retained in line with the contract.		



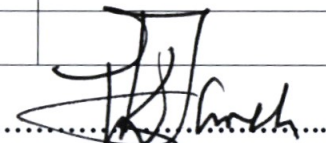
.....
Eng. Charles Muasya, MBS
Chief Executive Officer




.....
Eng. Joseph Karangu
Project Manager

Annex 2: Reconciliation of inter-entity 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
	RC288994 – Quarter 1	8/28/2024	112,500,000	FY 2024/2025
	RC293019 – Quarter 2	11/18/2024	112,500,000	FY 2024/2025
	RC300666 – Quarter 3	5/9/2025	12,500,000	FY 2024/2025
	RC305892 – Quarter 4	6/11/2025	12,500,000	FY 2024/2025
		Total	250,000,000	
B.	Direct payments			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
	KUWAIT TUNASCO IPC 7	7/11/2024	50,706,042	FY 2024/2025
	KUWAIT TUNASCO IPC 6	7/17/2024	60,275,065	FY 2024/2025
	KUWAIT TUNASCO IPC 8	11/1/2024	91,781,796	FY 2024/2025
	KUWAIT CAS IPC 3	11/23/2024	31,318,604	FY 2024/2025
	KUWAIT TUNASCO IPC 9	2/20/2025	78,080,298	FY 2024/2025
	KUWAIT CAS IPC 4	2/18/2025	35,411,426	FY 2024/2025
		Total	347,573,231	
		Total (A+B)	597,573,231	



Eng. Joseph Karangu
Project Manager



CPA. Leah Muoria
Project Accountant
ICPAK Member No: 10230

Bura Rehabilitation Development Project
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Annex 3: Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) Previous Year	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) Current Year
Work in Progress	5,891,579,203	1,310,178,474	-	-	7,201,757,677
Total	5,891,579,203	1,310,178,474	-	-	7,201,757,677

*The figure of 6,267,403,635 relates to certified irrigation works as at 30th June 2025.