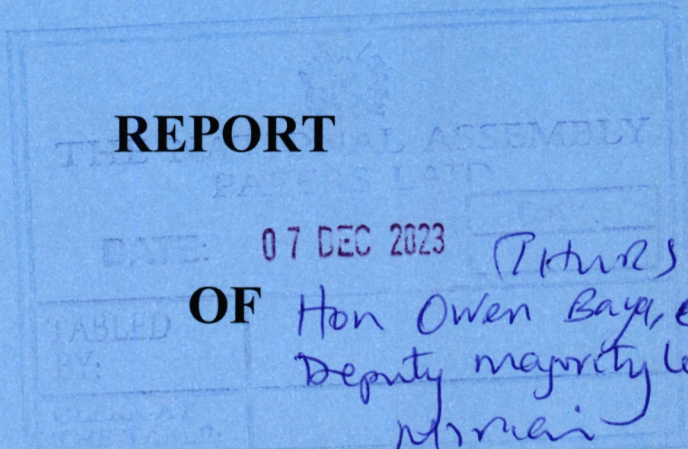


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT

OF Hon Owen Bayo, CBS, MP
Deputy majority leader

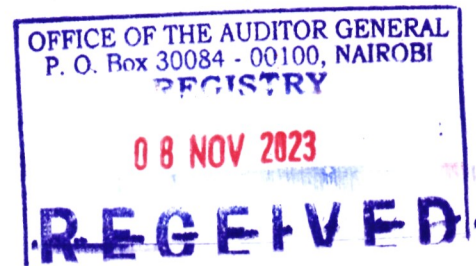
THE AUDITOR-GENERAL

ON

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

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

NATIONAL IRRIGATION AUTHORITY



PROJECT NAME: MWEA IRRIGATION DEVELOPMENT PROJECT

IMPLEMENTING ENTITY: NATIONAL IRRIGATION AUTHORITY

PROJECT CREDIT NUMBER KE-P27

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE, 2023

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

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1. Acronyms and Glossary of Terms

NIA	National Irrigation Board
MIS	Mwea Irrigation Scheme
MIDP	Mwea Irrigation Development Project
NT	National Treasury
AG.	Acting
CEO	Chief Executive Officer
ENG.	Engineer
M & E	Monitoring and Evaluation
PSASB	Public Sector Accounting Standards Board
IPSAS	International Public Sector Accounting Standards
PMF	Public Finance Management
IPC	Interim Payment Certificate
MWI	Ministry of Water and Irrigation
CPA	Certified Public Accountant
ICPAK	Institute of Certified Public Accountant Kenya
JICA	Japan International Cooperation Agency
GOK	Government of Kenya
NB	Note Better
A/C	Account
NO.	Number
B/F	Brought Forward
C/F	Carried Forward
FY	Financial Year
FC	Foreign Currency
LC	Local Currency
PAPS	Project Affected Persons

Comparative Year - Financial year preceding the current financial year

2. Project Information and Overall Performance

2.1 Name and registered office

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

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

Address: The project headquarters offices is in Nairobi city, Nairobi County, Kenya.

The address of its registered office is:

**National Irrigation Authority
Unyunyizi House, Second Floor,
Lenana Road, Hurlingham
P.O. Box 30372-00100
Nairobi, Kenya**

The project also has an office as follows:

- Mwea Site office

Contacts: The following are the project contacts

P.O Box 30372, 00100

Telephone: (254) -20-2711380/2711468

E-mail: ceo@irrigation.go.ke

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

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023***

2.2 Project Information

Project Start Date:	13 th December 2010
Project End Date:	13 th December 2023
Project Manager:	Eng. Stephen Mutinda
Project Sponsor:	The project sponsor is JICA/GoK

2.3 Project Overview

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

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023***

Project duration	<p>The project started on 13st December 2010 and is expected to run until 13th December 2023</p> <ul style="list-style-type: none"> ➤ Package I: Construction of Thiba dam being implemented by Strabag International GmbH is at 100% and the dam was commissioned on 15/10/2022 ➤ Package II -lot 1: Construction of civil works of irrigation facilities by Joycot General Contractors is at 33%. The contract was awarded on 22/03/2023 and expected completion date is 31/01/2024 ➤ Construction of irrigation and drainage facilities being implemented by Mutahi Engineering Limited is at 47%. The contract was awarded on 22/03/2023 and expected completion date is 01/02/2024
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2.4 Bankers

The following are the bankers for the current year:

NCBA Bank – Kenya

Co-operative bank of Kenya

2.5 Auditors

The project is audited by Office of the Auditor General

2.6 Roles and Responsibilities of key persons working on the project

Names	Title designation	Key qualification	Responsibilities
Eng. Charles Muasya	Ag. Chief Executive Officer (CEO)	Over 20 years of experience in the development and management of irrigation schemes	Overall coordination of the project from December 19th , 2022
Mr. Gitonga Mugambi, EBS	Chief Executive Officer (CEO)	Over 20 years of experience in the development and management of irrigation schemes	Overall coordination of the project upto November 30 th , 2022
Eng. Loise Kahiga	Ag. Deputy General Manager (Irrigation and Infrastructure development services)	Over 10 years of experience in the development of irrigation infrastructure	Coordination of Engineering matters on the project.

*Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Eng. Stephen Mutinda	Project Manager	Over 10 years' experience in dam and irrigation infrastructure construction.	Coordinating all technical matters of the project
Mr. Tirus Kabuthia	Project Accountant	Over 20 years in financial management.	Advising on project financial aspects.
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.
Mr. Yuji Yunoki	Team leader- Consultant	Over 35 years' experience in irrigation and dam construction	Responsible for day-to-day implementation of the project
Mr. Keiji Tamura	Construction Engineer (Irrigation & Drainage.)	Over 20 years of experience in the construction of irrigation and drainage facilities.	Supervision of construction works for the irrigation and drainage systems.
M/s Jullyanne Okello	M & E Officer	Over 15 years in project monitoring	Responsible for project monitoring and evaluation

*Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

2.7 Funding summary

The Project is for duration of Thirteen years from 2010 to 2023 with an approved budget of JPY 18,631,000,000 equivalent to KSh. 15,397,520,660 as highlighted in the table below:

Below is the funding summary:

A. Sources of Funds

Source of funds	Donor Commitment-		Amount received to date (30-06-2023)		Undrawn balance to date (30-06-2023)	
	Donor currency JPY (Million) (A)	Kshs. (Million) (A')	Donor currency (B)	Kshs. (Million) (B')	Donor currency (A)-(B)	Kshs Million (A')-(B')
i) Grants						
There was no grants						
(ii) Loan						
JICA Fund	13,178.00	10,891.00	11,556.00	9,550.00	1,622.00	1,341.00
(iii) Counterpart funds						
Government of Kenya	5,453.00	4,506.50	4,992.00	4,126.00	461.00	380.50
Total	18,631	15,397.50	16,548.00	13,676.00	2,083.00	1,721.50

*Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

B. Application of Funds

Source of funds	Amount received to date (30 th June 2023)		Cumulative paid to date (30 th June 2023)		Unutilised balance to date (30-06-2023)	
	Donor currency JPY (Million) (A)	Kshs. (Million) (A')	Donor currency (B)	Kshs. (Million) (B')	Donor currency (Million Yen) (A)-(B)	Kshs. Million (A')-(B')
i) Grants						
No grant received						
(ii) Loan						
JICA Fund	11,556.00	9,550.00	11,550.00	9,545.00	6.00	5.0
(iii) Counterpart funds						
Government of Kenya	4,992.00	4,126.00	4,871.00	4,026.00	121	100
Total	16,548.00	13,676.00	16,421.00	13,571.00	127	105

2.8 Summary of Overall Project Performance:-

- i) Budget performance against actual amounts for the current year is 54% and for the cumulative to-date is 54 %.
- ii) The physical progress is as follows: -
 - Construction of Thiba dam being implemented by Strabag International GmbH is at 100% and the dam was commissioned on 15/10/2022
 - Package II -lot 1: Construction of civil works of irrigation facilities by Joycot General Contractors is at 33%
 - (a) Link canal III - overall progress is 72%
 - (i) 1.8 Km of the canal lined out of 2.4 Km.
 - (ii) 9 No. Structures completed, 21 No. structures ongoing and 1 No is yet to commence.
 - (b) Construction of 23km main and branch Irrigation canals and their related structures:
 - (i) Works on 7 Km out of 23 km ongoing on MBC3 (Inspection road embankment – 86%, Canal embankment - 65%, 13 No. Structures on going out of 94 No.)
 - (c) Rehabilitation of 800m and 100m of Link canals I and II respectively – Not yet commenced.
 - Construction of irrigation and drainage facilities being implemented by Mutahi Engineering Limited is at 47%
 - (a) 24km main and branch drains and their related structures.
 - (i) 18.6 km Excavated out of 24km (78% progress);
 - (ii) 6 No. Structures out of 169 completed, Ongoing structures – 29 No., 134 Structures not yet started (15%).
 - (b) Kathiga bridge across river Thiba (2%)
 - Clearing and excavation works of the RHS abutment.
 - (c) 9.9km connecting roads;
 - 6.5 Km of earthworks completed (66%).
 - (d) Construction of Project Manager’s Site office & 5 No. residential houses (74%).
- iii) The absorption rate for each year since the commencement of the project has been at 99%.
- iv) The only challenge experienced is budget cuts by the treasury, which we recommended that the money requested be disbursed on time in order to maintain the project on course.

2.9 Summary of Project Compliance:

The project complied with all statutory requirements.

3. Statement of Performance against Project’s Predetermined Objectives

Introduction

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

The key development objectives of the project’s 2010-2023 plan are to increase the productivity of rice and other feasible horticultural crops by improvement of irrigation facilities, including stable supply of water and strengthening of the operations and maintenance framework in Mwea Irrigation Scheme

Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

(MIS) , thereby contributing to raising the farmers' livelihoods in the MIS area and food security in Kenya.

Progress on attainment of Strategic development objective

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

Project	Objective	Outcome	Indicator	Performance
Mwea Irrigation Development Project.	To increase the productivity of rice and other crops.	Improvement of irrigation facilities.	Percentage increase in rice and other crops produced.	The Project is on-going and estimated level of progress is at 100% for phase 1 & Phase II at an average of 40%

4. Environmental and Sustainability Reporting

The project is implemented by National Irrigation Authority hence, does not carry out its own separate Corporate Social Responsibility.

5. Statement of Project Management Responsibilities

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


The *Chief Executive Officer*, National Irrigation Authority and the Project Manager for ***Mwea 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 *Chief Executive Officer*, National Irrigation Authority and the *Project Manager* for ***Mwea Irrigation Development Project*** are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended 30 June 2023, and of the Project's financial position as at that date. The *Chief Executive Officer*, National Irrigation Authority and the *Project Manager* for ***Mwea Irrigation Development Project*** further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the Project financial statements


The Project financial statements were approved by the *Chief Executive Officer*, National Irrigation Authority and the *Project Manager* for ***Mwea Irrigation Development Project*** on 06/11/2023 and signed by them.



Ag. Chief Executive Officer
Eng. Charles Muasya



Project Manager
Eng. Stephen Mutinda

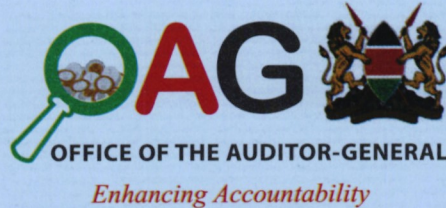


Project Accountant:
CPA. Tirus N. Kabuthia
ICPAK MemberNo.15039

Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MWEA IRRIGATION DEVELOPMENT PROJECT – LOAN AGREEMENT NO. KE-P27 FOR THE YEAR ENDED 30 JUNE, 2023 - 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 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.
- 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.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Mwea Irrigation Development Project set out on pages 1 to 26, which comprise of the statement of financial assets as at 30 June, 2023, and the statement of receipts and payments, statement of cash flows

Report of the Auditor-General on Mwea Irrigation Development Project (Loan Agreement No. KE-P27) for the year ended 30 June, 2023 - National Irrigation Authority

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, the financial statements present fairly, in all material respects, the financial position of the Mwea Irrigation Development Project as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Loan Agreement No. KE-P27 dated 16 August, 2010, between the Japan International Cooperation Agency (JICA) and the Republic of Kenya and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Mwea Irrigation Development Project 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 opinion.

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparative budget and actual amount reflects final budget and actual on comparable basis of Kshs.1,967,494,463 and Kshs.1,069,436,721 respectively resulting to an under-funding of Kshs.898,057,742 or 46% of the budget. Similarly, the Project spent Kshs.976,765,902 against an approved budget of Kshs.1,967,494,463 resulting to an under-expenditure of Kshs.990,728,561 or 50 % of the budget.

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

2. Unresolved Prior Year Audit Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management had not resolved the issues nor given any explanation for the failure to implement the recommendations.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Long Outstanding Pending Bills

The financial statements reflects other important disclosures in respect of pending bills balance of Kshs.803,087,704 as disclosed under Annexure 4a. Included in this amount is Kshs.5,720,737 payable to project affected persons (PAPs) which has been outstanding for more than a year and other, interim payment certificates worth Kshs.797,366,967 payable to an international firm, two (2) constructions companies and a consultant were outstanding as at 30 June, 2023 out of which Kshs.494,849,993 was outstanding for more than a year. The Management did not provide satisfactory explanation for the delay in payment although the donors remitted funds to pay the contractors promptly after a payment request was submitted.

In the circumstances, the Project risk additional charges of penalties and interest and legal litigations by lack of compensation to the displaced persons.

2. Avoidable Interest on Delayed Payments

Review of the interim payment certificates totalling to Kshs.727,369,361 includes an amount of Kshs.40,599,359 being interest for delayed payments for package I contract No. NIB/T/085/2011-2012: for construction of the Thiba Dam and appurtenant facilities. The payments had been delayed for more than twenty-eight (28) days contrary to the contract agreement which resulted in extra charges totalling to Kshs.40,599,359.

In the circumstances, the Project Management risk incurring additional costs in case of claim of penalties and interest from the contractor.

3. Slow Project Implementation

The Authority entered into contract under Lot 1 contract No. NIA/T/087/2020/2021 for construction and civil works for irrigation facilities with a Contractor at a contract sum of USD.8,519,610 equivalent to Kshs.920,117,880. The construction commenced on 22 March, 2021 and was expected to be completed on 3rd October, 2023. As at 30 June, 2023 the completion status of the project was 33%. Physical inspection conducted in the month of October, 2023, had completion status of 35% casting doubt on timely completion of the project.

Lot 2, under contract No. NIA/T/088/2020/2021 involved civil works of drainage facilities and other works, was awarded to an engineering firm at contract a sum of

USD.6,487,899.83 equivalent to Kshs.700,693,181.64. The works commenced on 22 March, 2021 and were expected to be completed by 4 October, 2023. As at 30 June, 2023 the completion status of the project was at 47%. Physical inspection conducted in the month of October, 2023, had completion status of 50% casting doubt on timely completion of the project.

In the circumstances, the project may not be completed on time casting doubt on whether the public will obtain value for money.

4. Failure to Open and Maintain a Project Bank Account

The statement of financial assets reflects bank balance of Kshs.105,390,602 as disclosed in Note 11A to the financial statements. This balance comprises of Kshs.4,899,293 and Kshs.100,491,309 in accounts belonging to the Authority .The Project does not have a separate account, but continued to receive the counterpart funds through the National Irrigation Authority's development bank account number. This is contrary to Article I Section 1.2 (j) of the Subsidiary Loan Agreement between the Government of Kenya and National Irrigation Authority that requires the Project to open a separate bank account for the purpose of receiving and accounting for counterpart funds.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and 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 control, 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 Loan Agreement No. KE-P27 between the Japan International Corporation Agency (JICA) and the Republic of Kenya, except for the matters under Other

Matter and the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I report based on my audit that:

- 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 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 (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or 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 are in compliance 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. Reasonable assurance is a high level of

assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to sustain its services. If I conclude that a material uncertainty exists, I am

required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

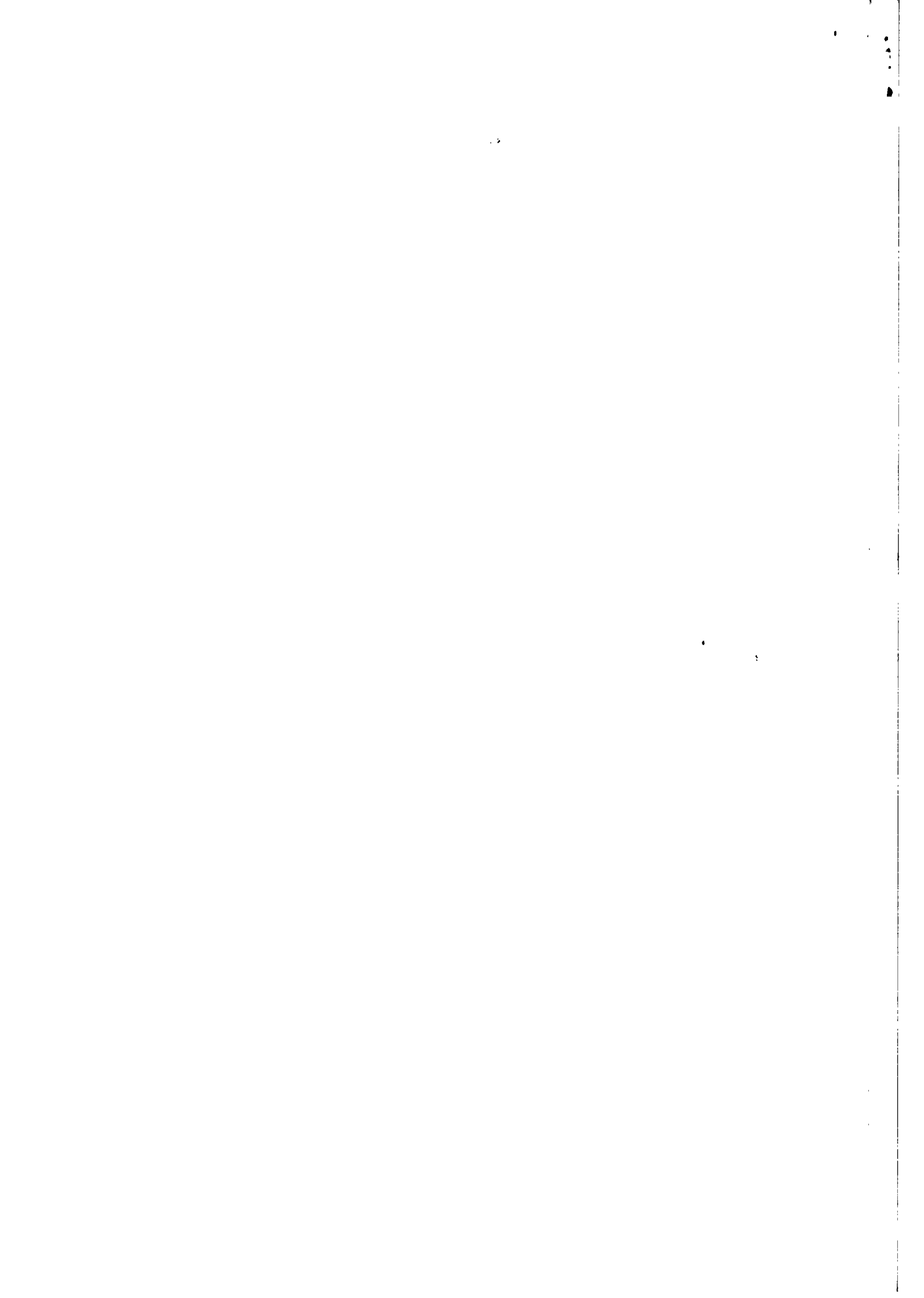
I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

24 November, 2023



Mwea Irrigation Development Project

Annual Report and Financial Statements for the financial year ended June 30, 2023

7. Statement of Receipts and Payments for the year ended 30th June 2023

	Note	2022/2023			2021/2022			Cumulative to-date (From inception)
		Receipts and payments controlled by the entity Kshs.	Payments made by third parties Kshs.	Total Kshs.	Receipts and payment controlled by the entity Kshs.	Payments made by third parties Kshs.	Total Kshs.	
RECEIPTS								
Transfer from Government entities	1	120,000,000.00		120,000,000.00	200,000,000.00	-	200,000,000.00	4,126,645,526.00
Loan from external development partners	3		949,399,368.00	949,399,368.00	-	1,639,898,213.00	1,639,898,213.00	9,550,354,810.00
Miscellaneous receipts	4	37,353.00		37,353.00	40,746.00	-	40,746.00	153,687.00
TOTAL RECEIPTS		120,037,353.00	949,399,368.00	1,069,436,721.00	200,040,746.00	1,639,898,213.00	1,839,938,959.00	13,677,154,023.00
PAYMENTS								
Compensation of employees	5	970,823.00		970,823.00	906,915.00		906,915.00	3,567,264.00
Purchase of goods and services	6	24,538,616.00	86,653,860.00	111,192,476.00	76,693,062.00	81,592,837.00	158,285,899.00	1,417,671,327.00
Acquisition of non-financial assets	8	1,410,623.00	862,745,508.00	864,156,131.00	111,941,293.00	1,558,305,376.00	1,670,246,669.00	12,146,816,552.00
Other grants and transfers and payments	10	446,472.00		446,472.00	138,859.00	-	138,859.00	3,708,278.00
TOTAL PAYMENTS		27,366,534.00	949,399,368.00	976,765,902.00	189,680,129.00	1,639,898,213.00	1,829,578,342.00	13,571,763,421.00
SURPLUS/(DEFICIT)		92,670,819.00	0.00	92,670,819.00	10,360,617.00	-	10,360,617.00	105,390,602.00

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

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023***



Ag. Chief Executive Officer
Eng. Charles Muasya



Project Manager
Eng. Stephen Mutinda




Project Accountant
CPA Tirus Kabuthia
ICPAK Member No: 15039

Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

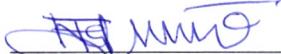
8. Statement of Financial Assets as at 30th June 2023

	Note 11	2022-2023	2021-2022
		Kshs.	Kshs.
Financial Assets			
Cash and Cash Equivalents			
Bank Balances	11	105,390,602.00	12,719,783.00
Total Cash and Cash Equivalents		105,390,602.00	12,719,783.00
TOTAL FINANCIAL ASSETS		<u>105,390,602.00</u>	<u>12,719,783.00</u>
Financial Liabilities			
Deposits and Retention			-
Net Assets		<u>105,390,602.00</u>	<u>12,719,783.00</u>
REPRESENTED BY			
Fund balance b/f	14	12,719,783.00	2,359,166.00
Surplus/(Deficit) for the year		92,670,819.00	10,360,617.00
NET FINANCIAL POSITION		<u>105,390,602.00</u>	<u>12,719,783.00</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 06/11/2023 and signed by:


Ag. Chief Executive officer
 Eng. Charles Muasya
 Date 06/11/2023


Project Manager
 Eng. Stephen Mutinda
 Date 06/11/2023



Project Accountant
 CPA Tirus Kabuthia
 Date 06/11/2023
 ICPAK Member No: 15039

Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

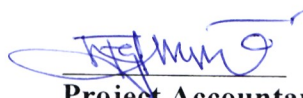
9. Statement of Cash flow for the year ended 30 June 2023

		2022-2023	2021-2022
	Note	Kshs.	Kshs.
	11		
Receipts for operating activities			
Transfer from Government entities	1	120,000,000.00	200,000,000.00
Miscellaneous receipts	4	37,353.00	40,746.00
Payments for operating activities			
Compensation of Employee	5	-970,823.00	-906,915.00
Purchase of goods and services	6	-111,192,476.00	-158,285,899.00
Other grants and transfers	10	-446,472.00	-138,859.00
Adjustments during the year			
Net cash flow from operating activities		7,427,582.00	40,709,073.00
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	8	-864,156,131.00	-1,670,246,669.00
Net cash flows from Investing Activities		-864,156,131.00	-1,670,246,669.00
CASHFLOW FROM BORROWING ACTIVITIES			
Loan from External Development partners	3	949,399,368.00	1,639,898,213.00
Net cash flow from financing activities		949,399,368.00	1,639,898,213.00
NET INCREASE IN CASH AND CASH EQUIVALENT			
Cash and cash equivalent at beginning of the year	14	12,719,783.00	2,359,166.00
Cash and cash equivalent at end of the year	11	105,390,602.00	12,719,783.00

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 06/11/2023 and signed by:


Ag. Chief Executive Officer
 Eng. Charles Muasya


Project Manager
 Eng. Stephen Mutinda


Project Accountant
 CPA Tirus Kabuthia
 ICPAK Member No: 15039

Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

10. Statement of Comparison of Budget and Actual Amounts for the year ended 30th June 2023

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Receipts						
Transfer from Government entities	200,000,000.00	(80,000,000.00)	120,000,000.00	120,000,000.00	0	100
Proceeds from borrowings	1,215,000,000.00	632,494,463.00	1,847,494,463.00	949,399,368.00	898,095,095.00	51
Miscellaneous Receipts	-	-	-	37,353.00	-37,353.00	
Total Receipts	1,415,000,000.00	552,494,463.00	1,967,494,463.00	1,069,436,721.00	898,057,742.00	
Payments						
Compensation of employees	1,000,000.00	0	1,000,000.00	970,823.00	29,177.00	97
Purchase of goods and services	115,000,000.00	0	115,000,000.00	111,192,476	3,807,524.00	96
Acquisition of non-financial assets	1,298,550,000.00	552,494,463.00	1,851,044,463.00	864,156,131	986,888,332.00	46
Other grants and transfers	450,000.00	0	450,000.00	446,472.00	3,528.00	99
Total Payments	1,415,000,000.00	552,494,463.00	1,967,494,463.00	976,765,902.00	990,728,561.00	
Surplus or Deficit	0	0	0	92,670,819.00	-92,670,819.00	

Note: The significant budget utilisation/performance differences in the last column are explained in **Annex 2** to these financial statements.



Ag. Chief Executive Officer
 Eng. Charles Muasya



Project Manager
 Eng. Stephen Mutinda



Project Accountant
 CPA Tirus Kabuthia
 ICPAK MEMBER NO 15039

11. Significant Accounting Policies

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

a. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprest and salary advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

The accounting policies adopted have been consistently applied to all the years presented.

b. Reporting Entity

The financial statements are for Mwea Irrigation Development Project under National Irrigation Authority. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

c. Reporting currency

The financial statements are presented in Kenya Shillings (KShs.), which is the functional and reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

d. Recognition of receipts

i) The Project recognises all receipts from the various sources when the event occurs and the related cash has actually been received by National Irrigation Authority.

ii) Transfers from the Exchequer

Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

iii) External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners.

iv) Other receipts

There are no Appropriation- in –Aid in relation to disposal of assets and sale of tender documents

iv) Donations and grants

There were no grants in relation to Mwea Irrigation Development project.

v) Proceeds from borrowing

Borrowing includes Treasury bills, treasury bonds, corporate bonds, sovereign bonds and external loans acquired by the Project or any other debt the Project may take on will be treated on cash basis and recognized as a receipt during the year they were received.

vi) Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary

e. Recognition of payments

The Project recognises all payments when the event occurs and the related cash has actually been paid out by the Project.

i) Compensation of employees

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

ii) Use of goods and services

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be disclosed as pending bills.

iii) Interest on borrowing

Borrowing costs that include interest are recognized as payment in the period in which they are incurred and paid for.

iv) Repayment of borrowing (principal amount)

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

v) Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

f. In-kind donations

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

g. Cash and cash equivalents

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

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprest and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

h. Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

i. Imprests and Advances

For the purposes of these financial statements, imprest and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

j. Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, The Entity 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.

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

N.B There were no contingent liabilities in regards to Mwea Irrigation Development Project.

k. Contingent Assets

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

l. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Project at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

m. Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognized as inter-entity transfers and are eliminated upon consolidation.

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex 14 to these financial statements.

n. Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties column in the statement of receipts and payments.

During the year ***Kshs. 949,399,368.00*** being loan disbursements were received in form of direct payments from third parties.

Significant Accounting Policies (Continued)

0. Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of receipts and payments.

p. Comparative figures

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

q. Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2023.

r. Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year (s). There were no prior year adjustments made to the financial statements.

Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

12. Notes to the Financial Statements

1. Transfers from Government Entities

These represent counterpart funding and other receipts from government as follows:

Description	2022/2023	2021/2022	Cumulative to-date (from inception)
	Kshs.	Kshs.	
Cumulative Balance B/F			4006,645,526.00
Counterpart funding through Ministry			
Ministry of Water, Irrigation & Sanitation			
Counterpart Funds Quarter 1	50,000,000.00	50,000,000.00	
Counterpart Funds Quarter 2	50,000,000.00	50,000,000.00	
Counterpart Funds Quarter 3	0.00	100,000,000.00	
Counterpart Funds Quarter 4	20,000,000.00	0.00	
Total	120,000,000.00	200,000,000.00	4,126,645,526.00

2. Proceeds from Domestic and Foreign Grants

During the financial period to 30 June 2023, there were no proceeds from domestic and foreign grants

3. Loan from External Development Partners

During the financial period to 30 June 2023, we received funding from development partners in form of loans negotiated by the National Treasury (NT) as detailed in the table below:

	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*		Total amount in Kshs	Cumulative to date
				Kshs	FY22/23		
Bal b/f						FY21/22	
JICA	30-07-21						8,600,955,442
	22-10-21					99,679,629	
	26-10-21					58,141,452	
	29-10-21					17,459,917	
	29-10-21					92,562	
	05-11-21					10,317,449	
	26-11-21					154,010,777	
	20-12-21					151,618,196	
	25-01-22					187,542,931	
						82,595,017	

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023***

	18-02-22					170,006,123	
	18-02-22					157,226,977	
	19-04-22					40,672,389	
	17-06-22					22,416,157	
	17-06-22					10,236,405	
	17-06-22					21,070,347	
	17-06-22					11,206,068	
	17-06-22					158,247,071	
	24-06-22					153,643,108	
	24-06-22					133,715,637	
	20-07-22	141,242,179			116,729,073	-	
	29-07-22	13,094,740			10,822,099	-	
	29-07-22	19,944,070			16,482,702	-	
	27-08-22	99,691,798			82,389,916	-	
	16-09-22	13,985,340			11,558,132	-	
	16-09-22	15,903,210			13,143,149	-	
	16-09-22	21,175,670			17,500,554	-	
	18-09-22	86,347,100			71,361,240	-	
	12-10-22	38,170,849			31,546,156	-	
	22-10-22	104,533,917			86,391,667	-	
	14-12-22	43,415,596			35,880,657	-	
	14-12-22	70,756,686			58,476,600	-	
	16-12-22	405,535,398			335,153,222	-	
	20-12-22	54,228,541			44,816,976	-	
	12-05-23	20,748,140			17,147,223	-	
Total		1,148,773,235			949,399,368	1,639,898,213	949,399,368
Bal c/f							9,550,354,810.

*Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Notes To The Financial Statements (Continued)

4. Miscellaneous Receipts

	FY 2022/2023		FY 2021/22		Cumulative to-date (from inception) Kshs
	Receipts controlled by the entity in Cash Kshs	Receipts controlled by third parties Kshs	Total Receipts Kshs	Total Receipts Kshs	
Other receipts not classified elsewhere	37,353.00	0.00	37,353.00	40,746.00	153,687.00
Total	37,353.00	0.00	37,353.00	40,746.00	153,687.00

[This refers to interest earned.]

5. Compensation to Employees

	FY 2022/2023		FY 2021/2022		Cumulative to-date (from inception)
	Payments made by the Entity in Cash Kshs	Payments made by third parties Kshs	Total Payments Kshs	Total Payments Kshs	
-	-	-	-	-	-
Basic wages of temporary employees	714,294.00	-	714,294.00	646,900.00	2,550,590.00
Personal allowances paid as part of salary	249,729.00	-	249,729.00	257,615.00	1,002,674.00
Compulsory national social security schemes	6,800.00	-	6,800.00	2,400.00	14,000.00
Total	970,823.00		970,823.00	906,915.00	3,567,264.00

***Awea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023***

6. Purchase of Goods and Services

	FY 2022/2023		FY 2021/2022	
	Payments made by the Entity in Cash Kshs	Payments made by third parties Kshs	Total Payments Kshs	Total Payments Kshs
Utilities, supplies and services	1,556,244.00		1,556,244.00	1,519.00
Communication, supplies and services	46,000.00		46,000.00	28,500.00
Domestic travel and subsistence	3,633,954.00		3,633,954.00	4,856,232.00
Printing, advertising and information supplies	4,732,290.00		4,732,290.00	1,641,456.00
Other operating payments consultancy	7,571,220.00	86,653,860.00	94,225,080	151,542,266.00
Hospitality supplies and services	6,917,602.00		6,917,602.00	198,700.00
Specialized materials and services	0.00		0.00	6,400.00
Routine maintenance – vehicles and other transport equipment	81,306.00		81,306.00	10,826.00
Total	24,538,616.00	86,653,860.00	111,192,476.00	158,285,899.00
				1,991,665.00
				1,417,671,327.00

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023***

Notes To The Financial Statements (Continued)

7. Social Security Benefits

There were no social security benefits.

8. Acquisition of Non-Financial Assets

	FY 2022/2023		FY 2021/2022	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties		
	Kshs	Kshs	Total Payments	Kshs
Construction of civil works	0.00	862,745,508.00	862,745,508.00	8,852,389,380.00
Acquisition of land	1,410,623.00	0.00	1,410,623.00	3,294,427,172.00
Total	1,410,623.00	862,745,508.00	864,156,131.00	12,146,816,552.00

Construction of civil works refers to payments made to the contractors who are constructing Thiba dam and the development of irrigation area Structures.

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023***

Notes To The Financial Statements (Continued)

9. Transfers to Other Government Entities

There were no transfers to other government entities.

10. Other Grants, Transfers and Payments

	FY 2022/2023			FY 2021/2022	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Bank Charges	446,472.00	0.00	446,472.00	138,859.00	3,708,278.00
Total	446,472.00	0.00	446,472.00	138,859.00	3,708,278.00

11. Cash and Cash Equivalent

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Bank account, NCBA A/C NO.1000584588	4,899,293.00	5,308,412.00
Bank Account – NIA Bank account	100,491,309.00	7,411,371.00
Total	105,390,602.00	12,719,783.00

*Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Notes To The Financial Statements (Continued)

11. A. Bank Accounts

Project Bank Accounts

	FY 2022/2023	FY 2021/2022
	KSh.	KSh.
Local Currency Accounts		
NCBA BANK A/C NO.1000584588	4,899,293.00	5,308,412.00
NIA Bank account A/C NO.01136128012900	100,491,309.00	7,411,371.00
Total local currency balances	105,390,602.00	12,719,783.00
Total bank account balances	105,390,602.00	12,719,783.00

The GoK share of the project is received and managed together with other budgeted organizational funds within NIA'S Bank accounts. From the sum received of Kshs. 120,000,000.00 received for the project within the year, there was a balance of Kshs. 100,491,309.00 by 30/06/23 in Nia Co-operative bank account and Kshs. 4,899,293.00 MIDP Project's bank account. a/c 1000584588

Special Deposit Accounts

The project does not have a Special Deposit Account.

11.B. Cash in Hand

The project does not operate Cash account, hence no cash certificate.

11 C. Cash Equivalents (Short-Term Deposits)

There were no short term deposits

12. Imprests and Advances

There were no pending imprests and receivables in the financial year 2022/23

13. Deposits and Retention Monies

Description	FY 2022-2023	FY 2021-2022
	Kshs.	Kshs.
Retention	-	-
Deposits	-	-
Total	-	-

Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

14. Fund Balance Brought Forward

Description	FY 2022-2023	FY 2021-2022
	KSh.	KSh.
Bank accounts	12,719,783.00	2,359,166.00
Total	12,719,783.00	2,359,166.00

15. Prior Year Adjustment

There were no prior year adjustments

16. Changes in Imprests and Receivables

Description of the error	FY 2022-2023	FY 2021-2022
	KShs	KShs
Opening Receivables as at 1 st July 2020	-	-
Closing account receivables as at 30 th June 2021	-	-
Change in Receivables	-	-

17. Changes in Deposits and Retention

Description of the error	FY 2021-2022	FY 2021-2022
Deposit and Retentions as at 1 st July 2020	-	-
Closing accounts payables as at 30 th June 2021	-	-
Change in payables	-	-

Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

Other Important Disclosures

1. Pending Accounts Payables (See Annex 4a)

	Balance b/f FY 2021/2022	Additions for the year	Paid during the year	Balance c/f FY 2022/2023
Description	Kshs.	Kshs.	Kshs.	Kshs.
Construction of civil works.	587,344,677.00	274,872,836.00	230,665,145.00	631,552,368.00
Land compensation	7,131,360.00	-	1,410,623.00	5,720,737.00
Supply of goods & services	207,687,097.00	44,781,362.00	86,653,859.50	165,814,599.00
Total	802,163,134.00	319,654,198.00	318,729,627.50	803,087,704.00

2. Pending Staff Payable

There were no pending staff payables.

3. Other Pending Payables (See Annex 4c)

	Balance b/f FY 2021/2022	Additions for the period	Paid during the year	Balance c/f FY 2022/2023
Description	Kshs.	Kshs.	Kshs.	Kshs.
Amounts due to third parties	354,325,389.00	35,482,561.00	-	389,807,950.00
Total	354,325,389.00	35,482,561.00	-	389,807,950.00

4. External Assistance

	FY 2022/2023	FY 2022/2023
Description	Kshs	Kshs
External assistance received as loans from JICA	949,399,368.00	1,639,898,213.00
Total	949,399,368.00	1,639,898,213.00

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023***

a. External assistance relating loans and grants

	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
External assistance received as loan from JICA	949,399,368.00	1,639,898,213.00
Total	949,399,368.00	1,639,898,213.00

b. Undrawn external assistance

	Purpose for which the undrawn external assistance may be used for	FY 2022/2023	FY 2021/2022
Description		Kshs	Kshs
Undrawn external assistance -Loans	Payment of irrigation civil works and associated consultancy.	1,341,000,000.00	2,290,000,000.00
Total		1,341,000,000.00	2,290,000,000.00

c. Classes of providers of external assistance

	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
Bilateral donor – JICA Fund	949,399,368.00	1,639,898,213.00

d. Non-monetary external assistance

During this financial year, there was no non-monetary external assistance.

*Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

e. Purpose and use of external assistance

Payment made by third parties	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
Use of goods and services- Consultancy services	86,653,860.00	81,592,837.00
Acquisition of assets – Irrigation civil works.	862,745,508.00	1,558,305,376.00
Total	949,399,368.00	1,639,898,213.00

f. External Assistance paid by third parties on behalf of the entity by source

Payment made by third parties	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
Bilateral donors- Government of Japan	949,399,368.00	1,639,898,213.00
Total	949,399,368.00	1,639,898,213.00

5. Payments by Third Party on Behalf of the project

5.1 Classification by source

	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
Bilateral donors- Government of Japan	949,399,368.00	1,639,898,213.00
Total	949,399,368.00	1,639,898,213.00

Mwea Irrigation Development Project
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5.2 Classification of Payments made by Third Parties by nature of expenses

Payment made by third parties	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
Use of Good and Services	86,653,860.00	81,592,837.00
Acquisition of assets	862,745,508.00	1,558,305,376.00
Total	949,399,368.00	1,639,898,213.00

6.0 Related Party Disclosures

Payment made by third parties	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
Transfer from the Parent Ministry	120,000,000.00	200,000,000.00
Total	120,000,000.00	200,000,000.00

7.0 Contingent Liabilities

There were no contingent liabilities

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023***

13. Annexes

Annex 1: Prior Year Auditor- General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Report on Financial Statement	<p>1. Budgetary control and performance:</p> <p>i. Project expenditures were managed through Microsoft Dynamics 365 Business Central software. However, the software does not have an active budget management module. As a result, expenditure controls against approved estimates were not in place contrary to the Public Finance Management Act, of 2012</p> <p>ii. Out of the budgeted donor receipts of Kshs.3,101,000,000, the actual receipts amounted to Kshs.1,639,898,213, resulting in an underfunding of Kshs.1,461,101,787 or 47% of the budget. Management did not provide satisfactory explanations for the underperformance.</p>	<p>The figure of Ksh. 1,639,898,213 refers to the payments to the Contractor which is based on measured works and the Contractor's certificates are based on the works executed. During the Financial year under review, the measured works executed by the Contractors was Ksh. 1,639,898,213 and this is the amount which was paid</p>	<p>Eng. Stephen Mutinda - Project Manager</p>	<p>Resolved</p>	

Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

<p>Report on Lawfulness & effectiveness in the use of public resources</p>	<p>1. Delay in project completion: The financial statement under Note. 8 on Acquisition of Non-Financial Assets includes payment amounting to Kshs.1,652,586,615 relating to the several projects. A review of documents and physical verification revealed that as of the time of the audit on 12 October, 2022 progress for the construction of Thiba Dam and appurtenant structures is complete and handed over to the Authority. However, the construction of Phase II of the project- construction of the irrigation canals had limited progress</p>	<p>The delay in construction of the works in both lots was caused by partly low mobilization of both staff and equipment at the initially but the scenario changed and the contractors have mobilized both staff and equipment and good progress has been achieved. The projects are donor funded and payment is done from Tokyo Japan and due to the involved processes there has been significant delay to pay the contractors a process which is now been fast-tracked.</p> <p>The lot 2 contract with Mutahi Engineering has been extended to completion date of 30th November 2022 and the current progress in 38% and due to the above mentioned delays in payment the contractor has submitted a consideration for further extension by 3 months and within this time as per the submitted work flow program, the contractor will complete the works</p> <p>Lot 1 contract with Joycot General contractors is currently at 36% in completion and based on the agreed work program, the contractor is expected to complete the works by the end of contract period in January 2023.</p>	<p>Eng. Stephen Mutinda - Project Manager</p>		
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***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023***

	<p>2. Avoidable interests on delayed payment: Review of records for the project revealed delay in completion of the project both in Lot 1 and Lot 2, which has, so far resulted in extra charges totalling Kshs.34,947,773 in addition to contractual amounts. These charges have been occasioned by failure to pay the contractors within 28 days after raising the Interim Payment Certificates (IPC) and concurrence to pay as indicated in the contract agreement.</p>	<p>The stated amount of Kshs 34,947,773 was on the Thiba dam contract by Strabag International due to delayed payments occasioned by inadequate budget in the year 2019. There have not been any financing charges under the two contracts for Lot 1(Joycot Limited) and Lot 2 (Mutahi Engineering).</p>	<p>Eng. Stephen Mutinda- Project Manager</p>	
<p>3. Failure to maintain a separate bank account for the project</p>		<p>The Authority maintains one cash book and bank account for all its GoK development grants received from The National Treasury. This has been due to the many projects that are managed by the Authority making it difficult to open a bank account for each of them. Hence, no separate cash and bank accounts have been opened for GoK funds for the project</p>	<p>Eng. Stephen Mutinda- Project Manager</p>	



Ag. Chief Executive officer
Eng. Charles Muasya



Project Manager
Eng. Stephen Mutinda



Project Accountant
CPA Tirus Kabuthia
ICPAK Member

Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

Annex 2 – Variance Explanations - Comparative Budget and Actual Amounts

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	120,000,000.00	120,000,000.00	0	100	All the funds in the revised budget were received.
Proceeds from borrowings	1,847,494,463.00	949,399,368.00	898,095,095.00	51	Payments are based on certified works
Miscellaneous Receipts	-	37,353.00	-37,353.00		
Total Receipts	1,967,494,463.00	1,069,436,721.00	898,057,742.00	54	
Payments					
Compensation of employees	1,000,000.00	970,823.00	29,177.00	97	The variance within the allowable range
Purchase of goods and services	115,000,000.00	111,192,476	3,807,524.00	96	The variance within the allowable range
Acquisition of non-financial assets	1,851,044,463.00	864,156,131	986,888,332.00	46	Payments are based on certified works
Other grants and transfers	450,000.00	446,472.00	3,528.00	99	
Total payments	1,967,494,463.00	976,765,902.00	990,728,561.00		

*Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex 3: Reconciliation of Inter –Entity Transfers

PROJECT NAME: MWEA IRRIGATION DEVELOPMENT PROJECT				
Break down of Transfers from the Ministry of Water, Irrigation & Sanitation Government Counterpart				
A. Funding		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
Treasury disbursement: Quarter 1		20/08/2022	50,000,000.00	FY 2022/2023
Treasury disbursement: Quarter 2		27/10/2022	50,000,000.00	FY 2022/2023
Treasury disbursement: Quarter 4		30/06/2023	20,000,000.00	FY 2022/2023
		Total	120,000,000.00	
B. Direct Payments		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
C. Others		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		TOTAL(A+B+C)	120,000,000.00	

**Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023**

Annex 4a - Analysis of Pending Bills

Supplier of Goods or Services	Date Contracted	Original Amount	Amount Paid To-Date	Outstanding Balance 2023	Outstanding Balance 2022	Comments
		a	b	c=a-b		
Construction of civil works						
1. Strabag International FC IPC 32-33	13/07/2017	199,118,989.00	199,118,989.00	0	199,118,989.00	All the FC payments have been paid
LC IPC 28-36	13/07/2017	571,576,569.00	-	571,576,569.00	356,679,532.00	This are the LC that have been transferred to direct payment component
2. Mutahi Engineering IPC 4	25/02/2021	61,431,415.00	31,546,156.00	29,885,259.00	31,546,156.00	Processed certificates but not yet paid by 30/6//23
3. Joycott General contactors IPC 3	22/02/2021	30,090,540.00	-	30,090,540.00	-	Processed certificates but not yet paid by 30/6//23
Land Acquisition						
Land compensation (PAPs)- Canals& drains	26/08/2016	7,131,360.00	1,410,623.00	5,720,737.00	7,131,360.00	PaPs not yet compensated as at 30/6/23

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023***

Supplier of Goods or Services	Date Contracted	Original Amount	Amount Paid To-Date	Outstanding Balance 2023	Outstanding Balance 2022	Comments
Supply of services						
Nippon Koei 1. Invoice FC: 61-66	18/02/2011	86,653,860.00	86,653,859.50	0	69,506,636.00	Processed certificates but not yet paid by 30/6/23
2. Invoice LC :61-66		165,814,599.00		165,814,599.00	138,180,461.00	
Grand Total		1,121,817,332.00	318,729,627.50	803,087,704.00	802,163,134.00	

Aged summary by 30/06/2023 (3M by posting date)

Period	0- 3 months	3-6Months	6-9 Months	9-12 Months	Over 12 Months	Amount Due
Kshs.	59,975,799.00	-	163,307,662.00	79,223,513.00	500,580,730.00	803,087,704.00

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023***

Annex 4b – There were no pending staff bills

Annex 4c – Analysis of Other Pending Payables

Name	Brief Transaction Description	Date Payable Contracted	Original Amount	Amount Paid To-Date	Outstanding Balance 2023	Outstanding Balance 2022	Comments
Amounts due to Third Parties							
1. Retention (Strabag International)	Cumulative Retention up to IPC 36	13/07/2017	373,845,090.00	0	373,845,090.00	350,077,239.00	Cum. Retention to date
2. Retention (Mutahi Engineering Limited)	Cumulative Retention Up to IPC 4	25/02/2021	8,642,404.00	0	8,642,404.00	4,248,150.00	Cum. Retention to date
3. Retention (Joycott General Contractors)	Cumulative Retention Up to IPC 3	22/02/2021	7,320,456.00	0	7,320,456.00	0	Cum. Retention to date
Grand Total			389,807,950.00	0	389,807,950.00	354,325,389.00	

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023***

Annex 5: Summary of Fixed Asset Register

Asset class	Opening Cost (KSh.) 2022/2023	*Purchases/Additions in the Year (KSh.) 2022/2023	** Disposals in the Year (KSh.) 2022/2023	Transfers in/(out) KSh. 2022/2023	Closing Cost (KSh.) 2023
	(a)	(b)	(c)	(d)	(e)= (a)+ (b)-(c)+(-)d
Work in Progress	13,164,878,699.00	976,765,902.00	-	-	14,141,644,601.00
Total	13,164,878,699.00	976,765,902.00	-	-	14,141,644,601.00

Annex: 6: Contingent Liabilities Register

There were no contingent liabilities in the period.

Annex 7: Reporting of Climate Relevant Expenditures

There were no climate relevant expenditures incurred within the year

Annex 8: Disaster Expenditure Reporting Template

There was no disaster expenditure incurred within the year

APPENDICES

- i. Statements of Expenditure – Donor Requirement
- ii. Bank Reconciliations
- iii. Certificate of bank balance

NATIONAL IRRIGATION AUTHORITY

UNYUNYIZI HOUSELENANA RD

Nairobi

00100

Kenya

Statement Period: 01032023 to 02052023

 Customer Name NATIONAL IRRIGATION AUTHORIT
 Y-

Customer Number: 179737

Account Number: 1797370158 - 1000584588

Account Type Institutional Banking Current AC

Currency: Kenyan Shilling

Date	Transaction Details	Value Date	Debit	Credit	Balance
19042023	Internal Transfer FT231 09QJ60F	19042023	4,635.00		4,899,293.16
	BANK OF TOKYO 962- CO095145-A003 AMEN DMENT CHARGES CL AIMED BY LC APPLICA TION				

Payments In	0.00
Payments Out	4,635.00
Available Balance	4,899,293.16
Closing Balance	4,899,293.16





National
Irrigation
Authority

National Irrigation Board
P.O.Box 30372 00100 Nairobi City
Tel: +2547 11061000
Email: hr@irrigation.go.ke
Website: www.nib.co.ke

CASH BOOK

Page 1
NIA\TKABUTHIA

BANK0026 NIC BANK JICA
Period: 05/01/23..05/31/23

Posting Date	Cheque No.	Document No.	Description	GL Account		Credit Amount	
				No	Debit Amount		
							Curr Bank Balance
							Opening Bal
							4,899,293.16
			NIC BANK JICA				
							Closing Bal
							4,899,293.16

4,899,293.16





August 9, 2023

**NATIONAL IRRIGATION AUTHORITY
UNYUNYIZI HOUSELENANA RD
P.O. BOX 30372-00100
NAIROBI, KENYA.**

Dear Sir/Madam,

RE: CERTIFICATE OF BALANCES FOR NATIONAL IRRIGATION AUTHORITY


We refer to your correspondence requesting us to furnish you with information regarding certificate of balances for the period FY: 2022/2023

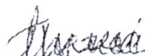
In response we wish to confirm the account and its respective balance with us, as at close of business on **30th June 2023** to have been as follows:

Account Number	Account Name	Curr	Closing Balance as at 30th June 2023
1797370158	NATIONAL IRRIGATION AUTHORITY	KES	4,899,293.16 CR

We trust that this meets your requirements.

Yours faithfully,


Authorized signatory
Emily Mugaa


Authorized signatory
Theresa Musundi

NATIONAL IRRIGATION AUTHORITY

UNYUNYIZI HOUSELENANA RD

Nairobi

00100

Kenya

Statement Period: 01062023 to 02072023

Customer Name NATIONAL IRRIGATION AUTHORITY-

Customer Number: 179737

Account Number: 1797370158 - 1000584588

Account Type Institutional Banking Current AC

Currency: Kenyan Shilling

Date	Transaction Details	Value Date	Debit	Credit	Balance
	Payments In		0.00		
	Payments Out		0.00		
	Available Balance		4,899,293.16		
	Closing Balance		4,899,293.16		



NATIONAL IRRIGATION AUTHORITY
BANK RECONCILIATION STATEMENT FOR THE MONTH OF JUNE 2023
NIC BANK -NIC HOUSE
A/C 1000584588

CASHBOOK SUMMARY

Balance as per cashbook b/f	4,899,293.16
Add receipts for the month	<u>4,899,293.16</u>
Less payments for the month	
Cashbook balance c/f	<u><u>4,899,293.16</u></u>

BANK RECONCILIATION STATEMENT

Balance as per bank statement	4,899,293.16
Less	
Unpresented cheques	<u>4,899,293.16</u>
Balance as per cashbook	<u><u>4,899,293.16</u></u>

Prepared by.....T. Mzaka.....Date.....30/06/2023.....

Approved by.....[Signature].....Date.....30/6/2023.....

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