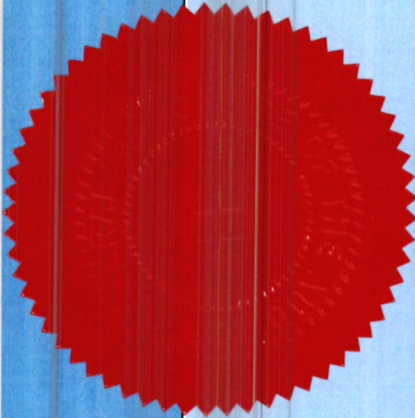

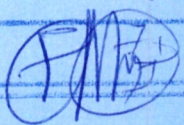
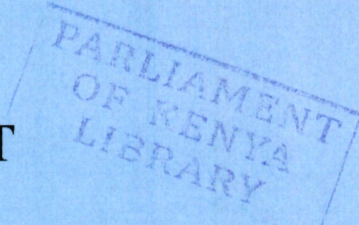




OFFICE OF THE AUDITOR-GENERAL



 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 02 JUL 2019	DAY: TUESDAY
TABLED BY: MAJORITY WHIP	<b>REPORT</b>
CLERK AT THE TABLE: 	



**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
STATE DEPARTMENT FOR IRRIGATION**

**FOR THE YEAR ENDED  
30 JUNE 2018**

**MINISTRY OF WATER AND IRRIGATION  
STATE DEPARTMENT FOR IRRIGATION  
Reports and Financial Statements  
For the year ended June 30, 2018**



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**MINISTRY OF AGRICULTURE, LIVESTOCK, FISHERIES AND IRRIGATION  
STATE DEPARTMENT FOR IRRIGATION**

**REVISED REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2018**

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



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**KEY ENTITY INFORMATION AND MANAGEMENT**

**Background Information**

The State Department for Irrigation was established through Executive Order No. 1/2016 of May 2016. The State Department consists of functions which were previously under the State Department for Agriculture (irrigation function) and State Department for Water and Regional Authorities (Land reclamation and Water storage functions) before the creation of Ministry of Water and Irrigation in June 2015. State Department for Irrigation and State Department for Water Services constitute the Ministry of Water and Irrigation as per the Executive Order No. 1/2016.

The Irrigation sub-sector is critical to enhanced national food security, increased wealth, employment creation and poverty reduction as envisaged by Kenya Vision 2030. Irrigation subsector is estimated to contribute 3% of the Gross Domestic Product (GDP) of Kenya.

Kenya has not fully developed her irrigation potential estimated at 1.2Million ha and a drainage/flood water control potential of 225,000 ha according to the National Water Master Plan 2030. The irrigation potential is based on surface and ground water including water harvesting and storage. Approximately 190,400 ha (15%) of irrigation and 30,000ha (5%) of drainage/flood control potential has been developed leaving about 80% of Kenya's irrigation potential intact. Additional 540,000 ha of the irrigation potential can be developed with the current available water resource base. The remaining 660,000 ha will require water harvesting with storage equivalent of 25 billion M<sup>3</sup>.

The Ministry is headed by the Cabinet Secretary for Agriculture, Livestock, Fisheries and Irrigation Hon. MwangiKiunjuri, EGH, MGH, who is responsible for the general policy and strategic direction of the entity.

The vision, mission, core values and core functions of the State Department for Irrigation under the Ministry ofAgriculture, Livestock, Fisheries and Irrigation are:

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**1.1 Vision**

Increased food security, wealth, employment creation, and poverty reduction through accelerated development and improvement of irrigation sub sector.

**1.2 Mission**

To facilitate development and management of water storage and flood control, land reclamation and irrigation in Kenya

**Strategic Objectives**

The sub-sector's overall goal is to enhance land productivity through irrigation and land reclamation, and enhance water storage capacity for all uses. The specific objectives to achieve this goal are:

- To increase area of land irrigation and drainage;
- To increase land utilization through land reclamation;
- To increase access to water storage capacity;
- Enhance the capacity of irrigation, land reclamation and water storage management

**Mandate**

The Sub-Sector is mandated to undertake irrigation development, water harvesting and storage, and land reclamation for socio-economic development. This mandate is implemented through policy formulation, implementation of programs, project and activities The functions of the State Department for Irrigation as stipulated in the Executive Order No. 1/2016 are:

- National Irrigation Policy and Management
- Water harvesting and Storage for irrigation
- Land Reclamation
- Management of Irrigation Schemes
- Mapping, Designating and Developing Areas Ideal for Irrigation Schemes

**Semi-Autonomous Government Agencies**

The Irrigation Sub Sector has one SAGA, the **National Irrigation Board (NIB)**. It was established in 1966 through Irrigation Act (CAP 347) and is mandated to develop, promote and improve irrigated agriculture through sustainable exploitation of available irrigation and drainage potential in Kenya. Its key responsibility is development and management of the National Irrigation Schemes in the country.

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**Core Values**

- **Accountability and Transparency:** The State Department shall conduct its business and lend services to its stakeholders in a transparent and accountable manner.
- **Equity and Equality:** The State Department will promote fairness and equal distribution of resources and services at the national and county levels.
- **Professionalism and ethical practices:** All staff shall uphold highest moral standards and professional competence in their service delivery.
- **Teamwork and Passion for Results:** The State Department will relentlessly pursue timely attainment of targeted results at all levels through high level of coordination, networking and collaboration within its staff.
- **Innovativeness and Creativity:** The State Department is committed to innovativeness, inventiveness, resourcefulness and visionary planning and service delivery.
- **Efficiency and effectiveness:** The State Department will promote high productivity, competence and usefulness of resources at the national and county level.
- **Patriotism:** The State Department will promote nationalism and ownership of services by the public at all levels of government.
- **Customer Centered service:** The State Department is committed to uphold customer driven and focused service delivery.
- **Mutual respect, Participatory Approach and Inclusiveness:** The State Department is committed to consultations, joint and comprehensive partnership in all its affairs.

**Core Functions**

The core functions for the State Department for Irrigation is to undertake irrigation development, water harvesting and storage, and land reclamation for socio-economic development. These functions are implemented through policy formulation, implementation of programs, project and activities.

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**Key Management**

The State Department for Irrigation day-to-day management is under the following key technical departments:

- Department of Irrigation and Drainage
- Department of Irrigation Water Management
- Department of Land Reclamation
- Department of Water Harvesting and Storage

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**KEY ENTITY INFORMATION AND MANAGEMENT**

**(b) Fiduciary Management**

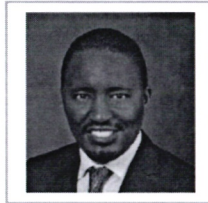
The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Cabinet Secretary, Ministry of Agriculture, Livestock, Fisheries and Irrigation	Hon. MwangiKiunjuri, EGH, MGH
2.	Chief Administrative Secretary	Dr. Andrew Tuimur, C.B.S
3.	Principal Secretary, State Department for Irrigation	Prof.Fred H.K Segor, CBS
4.	Secretary Administration	Stephen Kariukilkua
5.	Head of Finance	CPA Paul KibeMungai
6.	Deputy Director, Land Reclamation Department	Eng. James Yatich
7.	Director Irrigation Water Management	AboudMoeva
8.	Chief Economist	Nicholas Kitua
9.	Ag.Principal Accountant	CPA JacklineMotaboriMose
10.	Head of Supply Chain Management	George Marete

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**KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)**

**Senior management – State Department for Irrigation.**



Hon. Mwangi Kiunjuri, EGH, MGH  
Cabinet Secretary, Ministry of Agriculture,  
Livestock, Fisheries and Irrigation



Dr. Andrew Tuimur, CBS  
Chief Administrative Secretary, Ministry of  
Agriculture, Livestock, Fisheries and Irrigation



Prof. Fred Segor, CBS  
Principal Secretary, State  
Department for Irrigation



Mr. Stephen Ikua  
Secretary Administration,  
State Dept for Irrigation



CPA Paul KibeMungai  
Ag. Head of Finance  
State Dept for Irrigation



Eng. James Yatich  
Director Land Reclamation



Mr. Aboud Moeva  
Director Irrigation Water  
Management



Mr. Nicholas Kitua  
Chief Economist  
State Dept for Irrigation



CPA Jackline Motabori  
Dep Head, Accounting Unit  
State Dept for Irrigation



Mr. George Marete  
Head of Supply Chain  
State Dept for Irrigation

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**I. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)**

**Senior Management – State Department for Irrigation**



Hon. Mwangi Kiunjuri EGH, MGH  
Cabinet Secretary, Ministry of Agriculture, Livestock  
Fisheries and Irrigation.

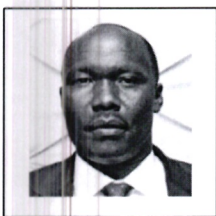
Hon. Mwangi Kiunjuri, EGH, MGH, was appointed the Cabinet Secretary, Ministry of Agriculture, Livestock, Fisheries and Irrigation on 26th January, 2018. Prior to this appointment he served as the Cabinet Secretary in the Ministry of Devolution and Planning for 2 years. Hon. Kiunjuri has served in various other capacities in the past including serving as the Chairperson, Kenya Athi Water Services Board in 2015. From 2002-2013 he served as an Assistant Minister in the Ministry of Water and Irrigation for 3 years, Assistant Minister in the Ministry of Energy for 5 years and the Ministry of Public Works for 2 years. Hon. Kiunjuri was elected as the MP for Laikipia East Constituency for 15 years. He also served as Vice Chairman of the Parliamentary Investment Committee (PIC). Hon. Mwangi Kiunjuri holds a Global Master's Degree in Business Administration from United States International University – Africa (USIU) and a Bachelor of Arts degree in Education from Moi University.



Dr. Andrew Tuimur, CBS  
Chief Administrative Secretary,  
State Department for Irrigation

Dr. Andrew Tuimur CBS, the Chief Administrative Secretary, Ministry of Agriculture, Livestock, Fisheries and Irrigation is the immediate former Principal Secretary, State Department for Livestock, in the Ministry of Agriculture, Livestock and Fisheries. He also served as the Managing Director, Agricultural Development Corporation a state corporation in the State Department for Agriculture. He holds a Bachelor of Veterinary Medicine degree from the University of Nairobi. Being among the top students, he was enrolled immediately as an Assistant Lecturer in the Department of Clinical Studies, Faculty of Veterinary Medicine at the University of Nairobi. He later graduated with Master of Science degree from University of Edinburgh. Dr. Tuimur has served as a member of the Board of Kenya Bureau of Standards, Chemelil Sugar Co. Ltd, Simlaw Seed Company Ltd in Kenya and Uganda and Kibo Seed Co. Ltd Tanzania. He is a member of Kenya Veterinary Association, Kenya Veterinary Board and Life Governor in Agricultural Society of Kenya.

**MINISTRY OF WATER AND IRRIGATION**  
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Prof. Fred H.K Segor, CBS  
Principal Secretary, State  
Department for Irrigation

Prof. Fred HarunKiptoonSegor assumed the position of Principal Secretary, State Department for Irrigation in the Ministry of Agriculture, Livestock, Fisheries and Irrigation in March 2018. Prof. Segor is the Accounting Officer for the State Department and is instrumental in development and implementation of Ministry's policies and strategic plans, facilitating the achievement of the goals and objectives of government, ensuring effective and efficient utilization of resources and promoting values. He has served as Principal Secretary in the Ministry of Health, Ministry of Agriculture Livestock and Fisheries in the State Department for Livestock. He is currently the Vice Chairman, Kenya Chemical Society and has served in various positions at the DAAD Scholars Association, and Kenya National Academy of Sciences. He holds a PhD in Chemistry; Master's and Bachelor's degree in Chemistry all from the University of Nairobi.



Mr. Stephen Ikuu  
Secretary Administration,  
State Department for  
Irrigation

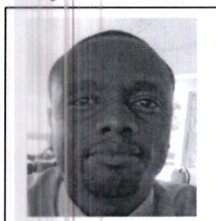
Mr. Stephen Ikuu assumed the position of Secretary Administration, State Department for Irrigation in June 2017 and previously held the same position in the Office of the President. He is in charge of Administration in the State Department and the Deputy to the Principal Secretary. He assists in the implementation of Departmental Programs, policies and ensuring efficient utilization of Financial, Human and other resources. He holds Master's and Bachelor's degree from Kenyan Universities.



Mr. Nicholas Kitua  
Chief Economist  
State Department for  
Irrigation

Mr. Nicholas Kitua holds a Master's degree in Public Policy Management from Makerere University. Kitua joined the Public Service of Kenya in 1993 after graduating from the University of Nairobi, 1992 and started as Economist II. He has grown through the ladder to Chief Economist in the State Department for Irrigation, a position he has held since 2015.

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CPA Paul KibeMungai  
Head of Finance

CPA KibeMungai is the Principal Finance Officer and acting Chief Finance Officer. He holds a B.Com degree (Finance option) from Catholic University of Eastern Africa. He is a Certified Public Accountant and Auditor. He holds an Oracle software certification and is a member of ICPAK and Institute of Internal Auditors.



CPA Jackline Motabori  
Dep Head, Accounting Unit  
State Department for Irrigation

CPA Jackline Motabori Mose is a Senior Accountant. She holds a Master's degree in Finance from the University of Nairobi. She is a Certified Public Accountant and a member of ICPAK. Ms Motabori is the Deputy Head of Accounting Unit in the State Department for Irrigation.



Mr. George Marete  
Head of Supply Chain  
State Department for  
Irrigation

Mr. George Marete is the Chief Supply Chain Officer in the State Department for Irrigation. He holds a B.Com degree from the University of Nairobi and Professional Diploma from London (CIPS, London).



Mr. James Yatich  
Director Land Reclamation

Mr. James Yatich is the Director, Land Reclamation in the State Department for Irrigation. He holds an MSc degree in Natural Resource Management (MPM) from Simon Fraser University (Canada, 1995) and BSc. in Agriculture from the University of Nairobi. He has served in various positions in government since 1987. He is an Ordinary and Executive member of Kenya Rainwater Association (KRA).



Mr. Aboud Said Moeva  
Director Irrigation Water  
Management

Mr. Aboud Said Moeva is the Director, Irrigation Water Management in the State Department for Irrigation. He holds an MBA degree (2009) and BSc degree in Agriculture, both from the University of Nairobi. He has held several positions in government, among them, Head of Budget Coordination Unit in the then Ministry of Agriculture. Prior to this appointment, Mr. Aboud was the Head of Planning and Information in the State Department for Irrigation.

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**KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)**

**(c) Fiduciary Oversight Arrangements**

**Composition of the Committee Members**

The various committee members within the State Department are drawn from various sectors of the economy and have a wide range of skills and experience and each contributes independently judgement and knowledge of the committee discussions.

On appointment each committee member is provided with a comprehensive and tailored induction processes covering the State Department's business and operations and provided with information relating to their legal and regulatory obligations.

All committee members and required to re-submit themselves for re-appointment after expiry of their term.

**i. Audit and Finance Committee Activities**

There was no Audit and Finance committee.

The committee was responsible and instrumental in:

- Improving the quality of financial reporting by ensuring the accounts are prepared in a timely and accurate manner to facilitate prompt submission of annual financial statements to the Auditor General with a copy to the National Treasury and the Controller of Budget not later than 30<sup>th</sup> September of each subsequent year as well as submission of quarterly financial statements accounts to the Cabinet Secretary with a copy to the National Treasury and the Controller of Budget not later than fifteen (15) after the end of each quarter.
- Reviewing and making recommendations on management programs established to monitor compliance with sound public financial management, internal controls, policies, laws, regulations, procedures and the code of ethics.
- Strengthening the effectiveness of the internal audit function including regular review of its capacity, review and approval of the internal audit charter and internal audit annual work plan.

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**I. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)**

**(c) Fiduciary Oversight Arrangements (Continued)**

**i. Audit and Finance Committee Activities (continued)**

- The process of establishing Audit and Finance Committees have started with advertisement being conducted, applicants received, shortlisting finalised and interviews conducted. It at the stage of approval by Cabinet Secretary.

**ii. Budget Implementation Committee Activities**

This committee is composed of the following members drawn from various departments in the Ministry.

- CPA Paul KibeMungai(Chair)
- Mr Nicholas Kitua (Vice Chair)
- CPAJacklineMotabori (Secretary)
- Mr AboudMoeva
- Mr James Yatich
- Mr George Marete
- MrMusembiMunyao

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**I. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)**

**(c) Fiduciary Oversight Arrangements (Continued)**

**ii. Budget Committee Activities**

This is the committee charged with the responsibility of implementation of the state department's budget and its prudent management. The duties of the committee include:

- To review and consider the cash flow plans
- To review the utilization of the cash limits and consider any changes as may be required;
- To review the utilization of the donor funds voted for the State Department.
- To advise the accounting officer on the challenges related to the budget implementation
- To review and recommend the reallocation of payments
- To review and approve the submission of the payment returns, payroll IPPDs, pending bills and A-I-A returns for the State Department and recommend actions to be taken
- To participate in sector working groups
- To review budgets, supplementary estimates and performance of budget against actual for the State Department in consultation with the Heads of Department.

**iii. Human Resources Management Advisory Committee(HRMAC) Activities**

During the period under review the State Department for Irrigation established a Human Resources Management Advisory Committee.

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**II. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)**

**(c) Fiduciary Oversight Arrangements (Continued)**

**iii. Human Resources Management Advisory Committee Activities**

Their duties include:

- Review of promotions of officers in Job Group A-P
- Review of confirmations in appointment
- Review of disciplinary matters
- Review of re-designation of officers from one cadre to another and
- Confirmation of surcharge of officers found to have misused government resources.

**iv. Training Committee activities**

The functions of Training have been performed by HRMAC. The functions include;

- Overall coordination of the training functions in the State Department.
- Review and implementation of the State Department training plan;
- Review of induction of newly appointed officers and activities around long term training.

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**I. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)**

**(d) State Department for Irrigation**

P.O. Box 49720-00100  
Maji House  
Ngong Road  
Nairobi, KENYA

**(e) Telephone Contacts**

Telephone: (+254)204900303  
E-mail: [psirrigation643@gmail.com](mailto:psirrigation643@gmail.com)  
Website: [www.water.go.ke](http://www.water.go.ke)

**(f) Bankers**

Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya

**(g) Independent Auditors**

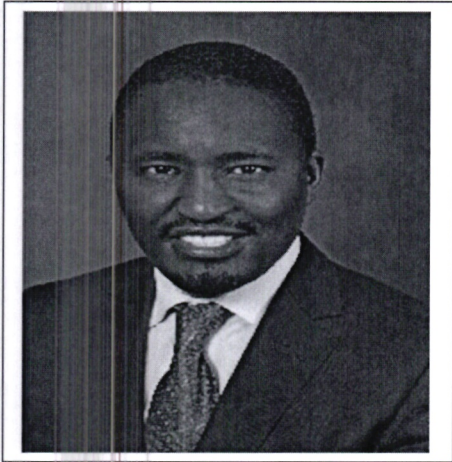
Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

**(h) Principal Legal Adviser**

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

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**II.COMMENTARY BY THE CABINET SECRETARY**



Hon. Mwangi Kiunjuri, EGH, MGH  
Cabinet Secretary, Ministry of  
Agriculture, Livestock, Fisheries and  
Irrigation

The Cabinet Secretary is mandated to provide effective leadership, policy direction, coordination of planning matters, tracking results for a globally competitive and prosperous nation and representation of the State Department's matters at the Cabinet level.

These powers are as spelt out in executive order No. 1/2016 of May, 2016. They include: National Irrigation policy and management; Management of Irrigation schemes; Mapping, designating and developing areas ideal for Irrigation schemes; Water storage and flood control; dams and dykes; Land reclamation

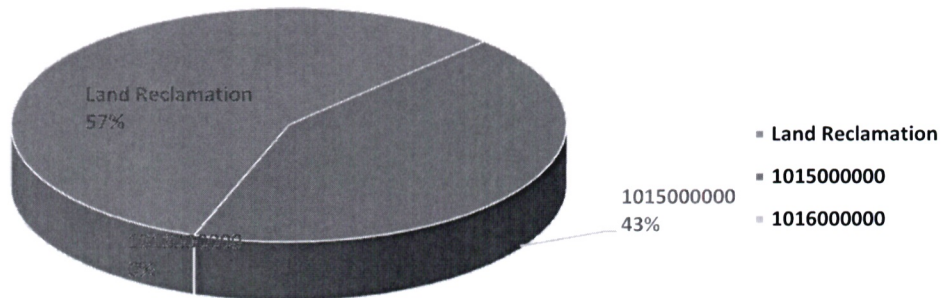
**BUDGET ALLOCATION**

In the financial year 2017/18 the State Department for Irrigation had a gross budget of **KShs. 14,556,946,593** which was made up of **KShs.946,323,953** and **KShs.13,610,622,640** for recurrent and development vote respectively.

The State Department was to expend the gross budget of **KShs. 14,556,946,593** under the following two programmes: Irrigation and Land Reclamation; and Water Storage and Flood Control programmes.

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**BUDGET ALLOCATION BY PROGRAMMES**



**II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED)**

**• Programme 1: Irrigation and Land Reclamation**

The objective of this programme is to enhance utilization of land through irrigation, drainage and land reclamation. This programme was allocated **KShs. 8,277,420,805** representing 44.8% of the budget. The funds were spent under the following sub programmes:

- Sub-programme S.P.4.1: Promotion of Irrigation and Drainage Development and Management **Kshs.8,221,946,106**
- Sub-programme 4.2: Land Reclamation **Kshs.55,474,699**

**• Programme 2: Water Storage and Flood Control**

The objective of this programme is to increase per capita water storage for Irrigation and other uses. This programme was allocated **KShs. 6,274,265,857** representing 55% of the budget. The funding was spent under the following sub programme:

- Sub-programme 1.1: Water Storage and Flood Control **KShs.5,061,137,200**

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- Sub-programme 1.2: Water Harvesting **Kshs. 1,213,128,657**

- **Programme 3: General Administration, Planning and Support Services.**

The objective of this programme is to offer management administrative issues. This programme was allocated **KShs. 5,259,931** representing 0.04% of the budget. The funding was spent under the following sub programme:

- Sub-programme 1.1: General Administration **KShs. 5,259,931**

## II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

### Key Performance Highlights

The overview of the financial performance for the year ended 30<sup>th</sup> June 2018 as reported in the detailed financial statements together with the commentary and comparative analysis against budget and prior year for the key items in the financial statements are as summarised in the table that follows.

### Financial Performance Summary

#### Actual Performance against Budget for Year to 30<sup>th</sup> June 2018

Financial Performance	Original Budget	Actual	Variance	% of Utilisation Difference to Final Budget
<b>RECEIPTS</b>				
Total Receipts	12,735,950,000	10,532,514,793	4,024,431,800	72%
Payments				
Grand Total	12,735,950,000	10,528,654,112	4,028,292,482	72%
Surplus/Deficit	0	3,860,682	(3,860,682)	

Actual receipts by the State Department for Irrigation stood at 72% of the approved budget estimates. This was contributed by lengthy procurement procedures and low implementation of projects. Actual payments stood at 72% which is also, referred to as utilisation level. This was attributed by donor conditionality's for donor funded programmes and delay in procurement procedures.

### Budget Utilisation

The State Department for Irrigation spent **KShs. 10,528,654,112** against an approved budget of **KShs. 12,735,950,000** representing absorption of 72%. Utilisation of the budget was carried out through various activities (economic classifications) as shown in the chart below:

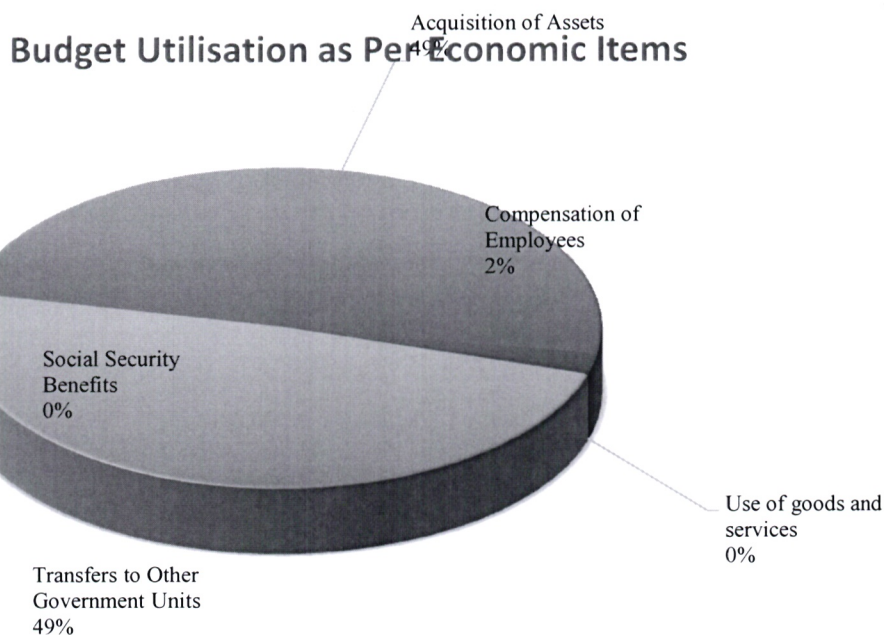
**MINISTRY OF WATER AND IRRIGATION**  
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Economic items	Approved Budget Allocation	Actual Payments	Variance
Compensation of Employees	188,200,413	180,355,628	7,844,785
Use of goods and services	46,696,380	37,948,096	8,748,284
Transfers to Other Government Units	8,997,393,708	5,122,674,936	3,874,718,772
Social Security Benefits	3,000,000	-	3,000,000
Acquisition of Assets	5,321,656,092	5,187,675,452	133,980,640
<b>Total Payments</b>	<b>14,556,946,593</b>	<b>10,528,654,112</b>	<b>4,028,292,482</b>

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**II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED)**

**Key Performance Highlights**



It is noted that 2% of the State Department's expenditure was utilised in compensation of employees, 0.9% was utilised for use of goods and services, 49% was utilised in acquisition of non-financial assets, and 49% was utilised for grants and transfers.

**Current year performance against prior year**

	Note	2017/2018 Kshs	2016/2017 Kshs	Change	%Change
<b>RECEIPTS</b>					
TOTAL REVENUES		10,532,514,793	9,086,161,544	1,446,353,249	15.92%
<b>PAYMENTS</b>					
TOTAL PAYMENTS		10,528,654,112	8,454,809,971	2,073,844,141	24.53%
SURPLUS/DEFICIT		3,860,682	631,351,573	- 627,490,891	-99.39%

Total receipts reduced by 15% due to increase in funding to the MDAs mainly through exchequer releases while there was an increase of 24% in payments attributed to the increase in funding

**Receipts**

The State Department's receipts mainly comprise of exchequer releases from the National Treasury. Other receipts are from sale of tender documents and AIA from the National Irrigation Board.

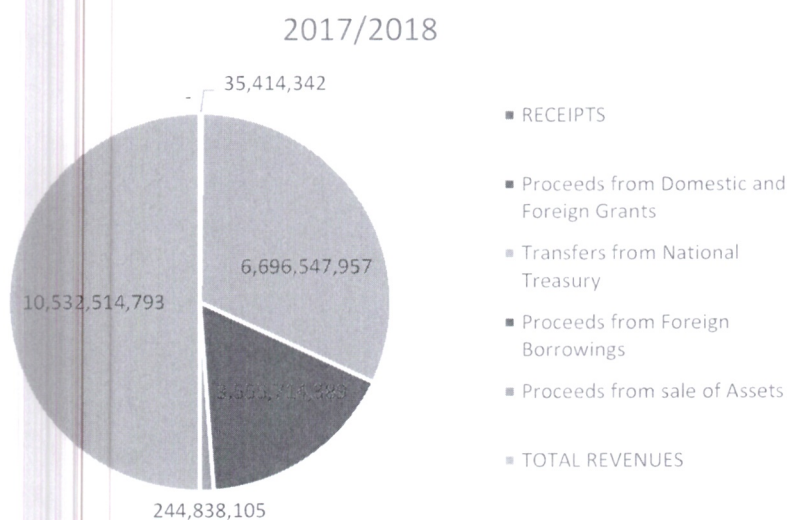
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The total receipts for FY 2017/2018 stood at Kshs.10.532Million, representing a 15% increase from Kshs 9.086Million for FY 2016/2017.

**II. COMMENTARY BY THE CABINET SECRETARY (Continued)**

**Total Receipts Breakdown**

FINACIAL PERFORMANCE	2017/2018 Kshs	2016/2017 Kshs	Change	%Change
<b>RECEIPTS</b>				
Proceeds from Domestic and Foreign Grants	35,414,342	-	35,414,342	100%
Transfers from National Treasury	6,696,547,957	7,477,294,345	- 780,746,388	-10.44%
Proceeds from Foreign Borrowings	3,555,714,389	1,608,867,199	1,946,847,190	121.01%
Proceeds from sale of Assets	244,838,105	-	244,838,105	100%
<b>TOTAL REVENUES</b>	<b>10,532,514,793</b>	<b>9,086,161,544</b>	<b>1,446,353,249</b>	<b>0.159181987</b>



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**II. COMMENTARY BY THE CABINET SECRETARY (Continued)**

The diagram above depicts the share of major categories of receipts for the fiscal year ended 30<sup>th</sup> June 2018. The major source of funding for the State Department for Irrigation is exchequer releases that account for 82% of the total receipts.

**Payments**

The State Department's payments mainly comprise of Transfers to Other Government entities i.e. Semi-Autonomous Government Agencies (SAGAs), employee compensation and acquisition of assets.

The total payments for FY 2017/2018 stood at Kshs 10,528 Million, representing a 24% increase from Kshs8, 454 Million for FY 2016/2017.

**Total Payment Breakdown**

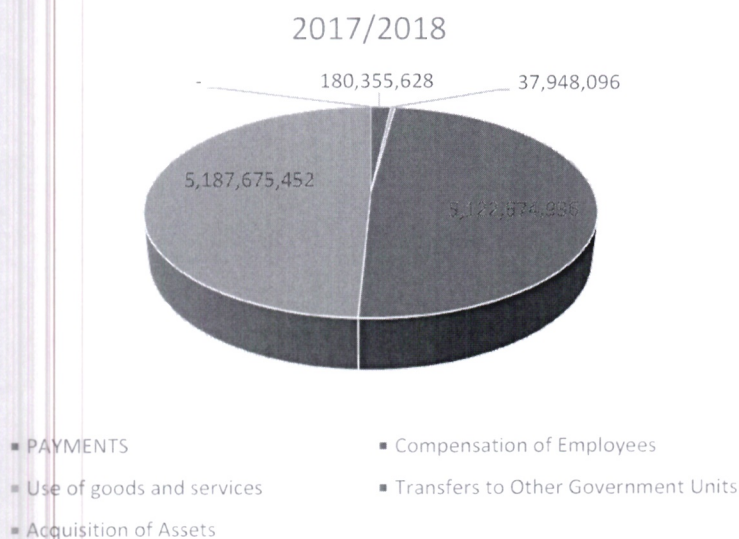
<b>FINANCIAL PERFORMANCE</b>	<b>2017/2018</b>	<b>2016/2017</b>		
	<b>Kshs</b>	<b>Kshs</b>	<b>Change</b>	<b>%Change</b>
<b>PAYMENTS</b>				
Compensation of Employees	180,355,628	102,930,735	77,424,893	75.22%
Use of goods and services	37,948,096	47,631,799	- 9,683,703	-20.33%
Transfers to Other Government Units	5,122,674,936	7,270,646,073	- 2,147,971,137	-29.54%
Acquisition of Assets	5,187,675,452	1,033,601,364	4,154,074,088	401.90%
<b>TOTAL PAYMENTS</b>	<b>10,528,654,112</b>	<b>8,454,809,971</b>	<b>2,073,844,141</b>	<b>24.53%</b>
<b>SURPLUS/DEFICIT</b>	<b>3,860,682</b>	<b>631,351,573</b>	<b>- 627,490,891</b>	<b>-99.39%</b>

The increase in payments is attributable to a significant increase in Compensation of Employees which was increased in the budget by 75% attributed to gratuity, promotion of staff and general salary increment. Further Transfers to other Government Units reduced by 29% due to separation into two State departments where SC & SAGAS reduced.

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**II. COMMENTARY BY THE CABINET SECRETARY (Continued)**

The diagram below depicts the share of major categories of payments for the fiscal year ended 30<sup>th</sup> June 2018.



**Financial Assets Summary**

	Note	2017/2018 Kshs	2016/2017 Kshs	Change	%Change
<b>FINANCIAL ASSETS</b>					
<b>Cash and Cash Equivalents</b>					
Bank Balances	9A	88,317,851	701,076,495	- 612,758,644	-87.40%
Cash Balances	9B	-	1,005,100	- 1,005,100	-100.00%
Accounts Receivables - Outstanding Imprest and Clearance Accounts	10	1,078,411	34,067,310	- 32,988,899	-96.83%
<b>TOTAL FINANCIAL ASSETS</b>		<b>89,396,261</b>	<b>736,148,905</b>	<b>- 646,752,644</b>	<b>-87.86%</b>

Bank balances reduced by 87.40% as a result of a pay out of retention monies from the Deposit Bank Account.

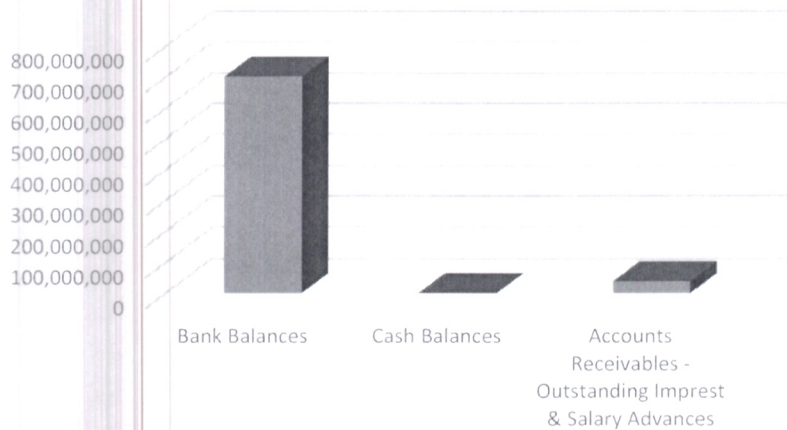
Cash balances declined by 100% due to measures put in place to reduce holding huge cash balances.

There is also a decrease in accounts receivables by 4% as a result of prompt accounting for imprest advance by the imprest holders mainly towards the year end.

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**II. COMMENTARY BY THE CABINET SECRETARY (Continued)**

Breakdown of Fixed Asset Summary



**Cash Flows and Cash Position**

The cash and bank balances held by the State Department for Irrigation as at 30<sup>th</sup> June 2018 was KShs. 702,081,595. The breakdown of the cash and bank balances is as summarized in the table below.

**Cash and Bank Balance**

	Note	2017/2018 Kshs	2016/2017 Kshs	Change	%Change
<b>FINANCIAL ASSETS</b>					
<b>Cash and Cash Equivalents</b>					
Bank Balances	9A	88,317,851	701,076,495	- 612,758,644	-87.40%
Cash Balances	9B	-	1,005,100	- 1,005,100	-100.00%
<b>TOTAL FINANCIAL ASSETS</b>		<b>89,396,261</b>	<b>736,148,905</b>	<b>- 646,752,644</b>	<b>-87.86%</b>

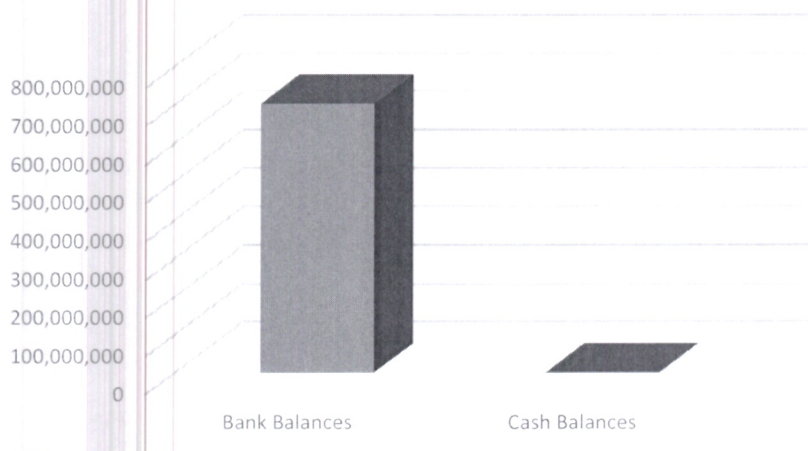
Bank balances decreased by 87.4 as a result of a payout of retention Monies under the Deposit Bank Account.

Cash balances declined by 100% due to measures put in place to reduce holding huge cash balance

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**II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED))**

Breakdown of Cash and Bank Balance



**Cash Flow Activities**

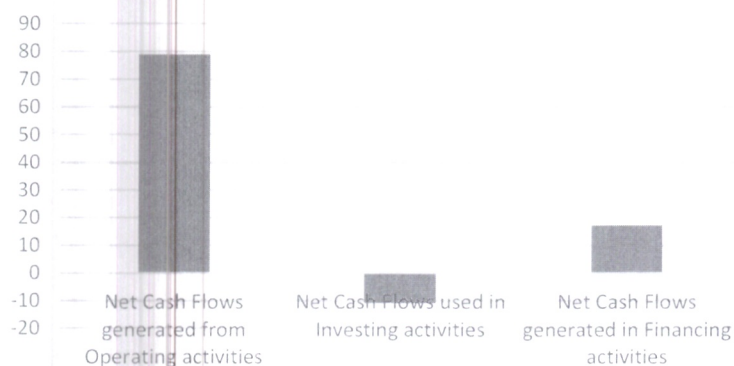
The table below summarizes cash flows generated and used from various activities.

	Note	2017/2018 Kshs	2016/2017 Kshs	Change	%Change
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Net cashflow from operating activities		773,359,214	126,815,760	646,543,454	509.83%
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>					
Net cash flows from Investing Activities		(4,942,837,347)	(1,033,601,364)	- 3,909,235,983	378.22%
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>					
Net cash flow from financing activities		3,555,714,389	1,608,867,199	1,946,847,190	121.01%
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>	-	613,763,744	702,081,595	- 1,315,845,339	-187.42%
Cash and cash equivalent at BEGINNING of the year		702,081,595	-	702,081,595	
Cash and cash equivalent at END of the year		88,317,851	702,081,595	- 613,763,744	-87.42%

Net cash flows utilised in investing activities increased significantly due to a increase in amounts utilised in the acquisition of assets by the State Department for Irrigation whereas there was increase in net cash flow from operating activities due to increase in expenditure relating to operations in the year under review.

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Cash Flow Activities



**FY 2017/2018**

**FORWARD BY THE CABINET SECRETARY**

**KEY ACHIEVEMENTS**

The key achievements under the irrigation sub-sector include:

**Irrigation and Land Reclamation Programme**

According to the National Water Master Plan 2030, the area developed for irrigation in Kenya by 2010 was 355,000 acres. The master plan puts the total irrigation potential at approximately 3 million acres. In total 484,000 acres of irrigation area have been achieved through development and expansion of 8 public national schemes, smallholder/community-managed irrigation projects and privately owned farms. This leaves about 80% of irrigation potential still undeveloped.

During the reporting period the area under irrigation increased by 9,400 acres. This was realized through different programmes that include: GalanaKulalu Food Security Project (GKFSP); National Expanded Irrigation Program (ENIP); Community Based irrigation projects; Lower Kuja Irrigation project; and Smallholder Irrigation Projects. 9 projects were rehabilitated under the Turkana Irrigation Development project.

Under the Land Reclamation programme 500 Ha was reclaimed in Turkana, Garissa, and Baringo and West Pokot counties. In addition, 1,000 reclamation structures constructed, 1 sub basin degradation assessment (Lake Magadi Basin) was carried out and a LADA report produced.

**Water Storage and Flood Control Programme**

The State Department for Irrigation has started the implementation of Thwake dam. The dam has a capacity of 680 million M<sup>3</sup>. It will serve 1.3 million people in Makueni and Kitui counties, with water for domestic use and irrigation. The water will also be used in Konza techno city.

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Currently, the compensation of the People Affected by the Project is ongoing and a total of Kshs 2.849 billion has been paid.

The department has also constructed a total of 69 water pans and small dams in various ASAL Counties increasing water storage capacity by 3.5 million cubic meters. In addition 51 schools were connected with water under the Micro-Irrigation Programme for Schools project.

**Emerging issues**

The following emerging issues were identified during the implementation period and need to be addressed:

i. **Climate change**

Effects of climate change and associated extreme weather events threaten sustainable development and impacts negatively on the sector. Flooding and droughts affect food production, water supply, housing access, livestock production and general livelihoods of the people. This results in substantial reallocation of resources towards drought mitigation and adaptation.

ii. **Devolution**

There exists transitional issues that arose due to transfer of some functions from the national government to county governments; the implementation of the projects that were being undertaken by the national government and were at various stages of completion did not progress as planned as there were no guidelines on proper handover and source of funding.

**Challenges**

- i. Long consultative legislative process which requires a lot of resources to meet the Constitutional requirement of stakeholder participation and ownership.
- ii. Water Security: The extreme climatic changes pose a major risk on water security. This has resulted in regional imbalance with some parts of the country receiving a lot of water during rainy seasons and little or no water during dry periods, and others receiving none at all. The challenge is further compounded by flooding/acute drought that causes immense negative impact on both the social and economic fronts.
- iii. Insecurity levels in Kenya's ASAL region and Inter-clan clashes have hindered the smooth projects progress and caused unexpected delays in projects completion. Whereas improvement of access to water and sanitation remains crucial, its success is highly dependent on adequate security.
- iv. Environmental degradation - Environmental degradation manifests in several forms including air, water and land degradation; and deep quarries which may affect human, animal and plant health. Another form of degradation involves reduced land quality, reduced water resources

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capacity and siltation of water reservoirs. This calls for measures to be put in place to protect land degradation and water resources.

- v. Delays in settling procurement related litigation slows projects implementation.
- vi. Delay of payments due to frequent IFMIS system failures.
- vii. **Budgetary constraints:** Inadequate funding specifically in the recurrent vote coupled with budget cuts which resulted in delays in completion of planned projects and programs. The pending projects will be included in the next year's budget to ensure their completion.
- viii. **Human Resource capacity gaps:** Under staffing of professional/technical levels and high technical staff turnover hampered effective service delivery.
- ix. **Inadequate Office Space:** There is acute challenge of office accommodation and equipment, where the State Department for Irrigation lack office space to accommodate its officers.

**Hon. Mwangi Kiunjuri, EGH, MGH**  
*Cabinet Secretary, Ministry of Agriculture, Livestock, Fisheries and Irrigation*

**MINISTRY OF WATER AND IRRIGATION  
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**I. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES**

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

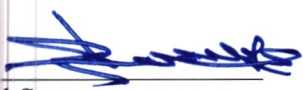
The Accounting Officer in charge of the State Department for Irrigation is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30,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

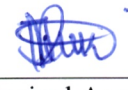
The Accounting Officer in charge of the State Department for Irrigation accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2018, and of the entity's financial position as at that date. The Accounting Officer charge of the State Department for Irrigation further confirms the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the State Department for Irrigation confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Approval of the financial statements**

The entity's financial statements were approved and signed by the Accounting Officer on 30/09/18 2018.

  
Principal Secretary  
Name: Prof.Fred H.K Segor, CBS

  
Ag.Principal Accounts Controller  
Name: CPA Jackline Motabori Mose  
ICPAK Member Number: 12013

# REPUBLIC OF KENYA

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NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON THE STATE DEPARTMENT FOR IRRIGATION FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

#### **Adverse Opinion**

I have audited the accompanying financial statements of the State Department for Irrigation set out on pages 15 to 33, which comprise the statement of assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and statements of appropriation – recurrent, development and combined 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the State Department for Irrigation as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with the Public Finance Management Act, 2012.

#### **Basis for Adverse Opinion**

##### **1. Understatement of Receipts**

The statement of receipts and payments for the year ended 30 June 2018 reflects an amount of Kshs.244,838,105 in respect of proceeds from sale of assets. As disclosed under Note 4 to the financial statements, this amount relates to proceeds from sale of certified seeds and breeding stock by the National Irrigation Board (N.I.B.). However, the financial statements of the National Irrigation Board reflect related sales of Kshs.282,567,355 during the year, resulting in unexplained variance of Kshs.37,729,250 which has not been included in the proceeds from sale of assets.

In addition, an amount of Kshs.83,371,438 received by the National Irrigation Board from operations and other maintenance fees charged to farmers has not been included in the receipts reflected in the statement of receipts and payments for the year ended 30 June 2018.

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*Report of the Auditor-General on the Financial Statements of State Department for Irrigation for the year ended 30 June 2018*

## 2. Grants and Transfers to Other Government Entities

The statement of receipts and payments for the year ended 30 June 2018 reflects payments totalling Kshs.5,122,674,936 under grants and transfers to other government entities. As disclosed in Note 7 to the financial statements, the payments include an amount of Kshs.4,530,782,834 transferred to National Irrigation Board(N.I.B.) for recurrent expenditure and various development projects and schemes under N.I.B. as summarized below:

Description/Purpose	Amount Kshs.
National Irrigation Board - Recurrent	552,838,105
Bura Irrigation Scheme	387,844,411
Galana Kulalu Irrigation Development Project	377,025,823
National Expanded Irrigation Programme	2,876,305,591
Mwea Irrigation Development Programme	232,000,365
Rwabura Irrigation Development Project	22,632,500
Turkana Irrigation Development Project	34,106,000
Lower Kuja Irrigation Scheme	27,897,500
Lower Sabor Irrigation Project	20,132,539
<b>Total</b>	<b>4,530,782,834</b>

However, the financial statements of the National Irrigation Board reflect total receipts of Kshs. 4,511,537,309 from the State Department for Irrigation in the 2017/2018 financial year, resulting in an unexplained variance of Kshs.19,245,525 between the two sets of records.

## 3. Construction and Civil Works

### 3.1. Unsupported Expenditure

The statement of receipts and payments for the year ended 30 June 2018 reflects expenditure of Kshs.5,187,675,452 on acquisition of assets and as disclosed in Note 8 to the financial statements include an amount of Kshs.5,184,704,489 relating to construction and civil works. The expenditure on construction and civil works further includes payments totalling Kshs.4,975,394,355 as captured in the IFMIS Appropriation Account Item 3110500 in respect of Thwake Multi-Purpose Water Development Program Phase I Project. However, the Project's financial statements for the year ended 30 June 2018 reflects receipts of Kshs.4,926,717,779. Although the resultant difference Kshs.48,676,576 has been attributed to payments of GOK Counterpart fund payments not reflected in the Project's financial statements of which, an amount of Kshs.26,915,000 is related to the expenditure incurred on the aborted launch of the Thwake Multi-Purpose Dam Project, payment vouchers and supporting documentation for the balance of Kshs.21,761,576 were not provided for audit. As a result, the validity and propriety of the expenditure of Kshs.21,761,576 could not be confirmed.

### 3.2. Wasteful Expenditure Incurred on Aborted Launching of Thwake Multi-Purpose Development Project

The expenditure incurred on the aborted launching of Thwake Multi-Purpose Development Project of Kshs. 26,915,000 comprises payments relating to procurement of branded caps and tops, polo shirts, men's shirts and corporate uniform. The Project was to be launched in 2017/2018 financial year, but to date, it has not been launched. A visit to the stores in December 2018 revealed that the procured items were still lying in the store and had not been issued. The expenditure of Kshs. 26,915,000 is, therefore, wasteful and could have been avoided.

## 4. Cash and Cash Equivalents

The statement of assets and liabilities reflects total cash and cash equivalents of Kshs.88,317,851, as at 30 June 2018. As disclosed under Note 9A to the financial statements, the amount comprises balances of Kshs.1,371,850, Kshs.1,410,421 and Kshs.85,535,580 held at the Central Bank of Kenya and relates to recurrent, development and deposit cash book balances, respectively. Examination of individual cash books and bank reconciliations statements revealed the following unsatisfactory matters:

### 4.1. Recurrent Bank Account

- (i) The recurrent bank certificate as at 30 June 2018 reflected an amount of Kshs.52,002,266.05. However, the reconciling items were not explained and therefore their authenticity could not be ascertained.
- (ii) The recurrent bank reconciliation statement as at 30 June 2018 reflected long outstanding reconciling items which had not been recorded in the cash book and some of which were related to exchequer issues from the National Treasury as detailed below:

Date	Reference	Details	Amount(Kshs.)
31-Oct-17	FT17304SCWVL	Exchequer issue	14,600,000
22-12-17	FT17356GLHST	Exchequer issue	600,000

- (iii) In addition, some of the reconciling items relating to receipts in the cashbook not in the bank statements were explained as underpayments in the cash book not recorded in the bank as analyzed below:

Date	Details	Amount(Kshs.)
22/12/2017	Under cast of total payments	1,764,000.00
23/01/2018	Under cast of balance brought forward	655,134.35
30/06/2018	Under cast of total payments	1,144.05

The completeness and accuracy of the recurrent cash book balance of Kshs.1,371,850 as at 30 June 2018 could not, therefore, be confirmed.

#### **4.2. Development Bank Account**

- (i) The development bank reconciliation statement as at 30 June 2018 reflected payments totalling Kshs.1,485,808,890.25 in the cash book and not yet captured in the bank statement. The amount included Kshs.74,754,086 payables to Kenya Revenue Authority as Value Added Tax and withholding taxes. Out of the balance owing to KRA, an amount of Kshs.2,627,668.10 was outstanding for more than six months. In addition, an amount of Kshs. 2,509,771.65 in the reconciliation had simply been described as transfers, and consequently its validity could not be confirmed.
- (ii) The development bank account reconciliation statement further reflected payments totalling Kshs.2,314,343 in the bank statements that had not yet been recorded in the cash book. The amounts, which were payment to staff members did not have respective reference numbers.

#### **4.3. Deposits Bank Account**

- (i) The bank reconciliation statement as at 30 June 2018 for the deposits bank account reflected a cash book balance of Kshs.58,029,900, while the bank certificate reflected a balance of Kshs.85,535,580, resulting in a difference of Kshs. 27,505,680. The difference was partly attributed to payments in cash book amounting to Kshs.1,285,727 made to a contractor but not yet recorded in the bank statement.
- (ii) In addition, the bank reconciliation statement reflected receipts of Kshs.5,616,639 in the cash book that had not yet been recorded in the bank statement. The reconciling items had been outstanding for a long time, without any justifiable reason.

#### **5. Accounts Payable – Deposits**

The statement of assets and liabilities as at 30 June 2018 reflects accounts payables – deposits balance of Kshs. 85,535,580 and as disclosed in Note 11 the financial statements. However, this was deposits bank balance and not the deposits cash book balance of Kshs.58,029,900 as at 30 June 2018. The deposits cash book balance of Kshs. 85,535,580 disclosed in Note 9A to the financial statements is, therefore, misstated.

In addition, retention monies totalling Kshs. 85,535,580 disclosed in Note 11 to the financial statements were supported with schedules amounting Kshs.49,628,676 only and thus, resulting in an unexplained variance of Kshs.35,906,904. In the circumstances, the completeness and accuracy of the accounts payables - deposits balance as at 30 June 2018 could not be confirmed.

#### **6. Prior Year Adjustments**

The statement of assets and liabilities as at 30 June 2018 reflects an amount of Kshs.631,351,573 in respect of fund balance brought forward and prior year adjustments of

a similar amount. As disclosed in Notes 12 and 13 to the financial statements, the amounts relate to cash and cash equivalent balances brought forward from the previous year, which were reversed during the year under review. Although the amounts were attributed by the management to settlement of outstanding retention monies to the then existing contractors and amounts surrendered to the National Treasury upon the year end, no documentary evidence was provided to support the assertion. Consequently, the validity of the transactions and prior year adjustments could not be confirmed.

## **7. Outstanding Imprests**

The statement of assets and liabilities reflects a balance of Kshs.1,078,411 under account receivables – outstanding imprests and clearance accounts as at 30 June 2018, which as disclosed in Note 10 to the financial statements relates to outstanding imprests. However, the outstanding imprests balance of Kshs.1,078,411 was not supported with a schedule. Consequently, the completeness and accuracy of the outstanding imprests balance of Kshs.1,078,411 could not be ascertained.

In addition, the State Department for Irrigation kept parallel records of imprests namely, manual imprests register and the IFMIS records. However, it was observed that the two registers were not being reconciled. A review of a sample of imprests amounting to Kshs.9,764,875, recorded in the manual imprest register revealed that the amounts had been surrendered whereas the IFMIS records indicated that the imprests against the same individuals and totalling Kshs.9,764,875 had not been surrendered. Further, an amount of Kshs.5,571,340 had been captured in the manual register as outstanding but appeared as surrendered in the IFMIS records.

## **8. Summary of Fixed Assets Register**

### **8.1. Failure to Record Assets**

The statement of receipts and payments reflects an amount of Kshs.5,187,675,452 under acquisition of assets and as disclosed in Note 8 to the financial statements includes an amount of Kshs.68,000 spent on acquisition of ICT equipment, software and other ICT assets. This amount does not however, include an amount of Kshs.1,804,000 incurred in the procurement of AutoCAD software. No reason was given for failure to include the amount in the assets register and these financial statements, respectively.

### **8.2. Failure to Maintain a Complete Assets Register**

As disclosed under Annex 4 to the financial statements, the State Department had assets acquired at historical cost amounting to Kshs.6,221,276,816 as at 30 June 2018 including additions of Kshs.5,187,675,452 in 2017/2018 financial year. However, a review of the assets register provided for audit verification indicated that the register was not completely updated with details such as the nature of asset, acquisition date, cost, serial/title number and location, and hence it was not possible to ascertain from the register the total acquisition cost for each class of assets and legal status. Consequently, the completeness and accuracy of the non-current assets balance Kshs.6,221,276,816 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse 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. Except for the matters described in the Basis for Adverse Opinion and Basis for Conclusions on Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance sections, I have determined that there are no other key audit matters to communicate in my report.

### **Other Matter**

#### **1. Procurement of Construction and civil Works-Small Dams and Water pans.**

In the report for 2016/2017, it was stated that the State Department had spent a sum of Kshs.1,033,601,364 on acquisition of assets. Included in the amount was Kshs.865,301,290.24 spent on the construction of small dams and water pans. However, the State Department did not provide an inventory of all the water pans and small dams indicating the physical location, the Contractor, when they were constructed and their status. Further, there were no technical reports like feasibility, hydrological, environmental impact assessment (EAI) that were carried out before commencement of the works. In addition, the contracts entered into were not dated.

There was no evidence of individual evaluation score sheets of each contract for both technical and financial evaluation, only a summary of the scores was provided. There was no evidence to show if a cost benefit analysis was done to show the importance of either constructing new boreholes, water pans and small dams versus rehabilitating the existing ones.

Further, it was noted that all the service orders were raised in the month of June 2017 in a span of eight days as enumerated below:

<b>No.</b>	<b>Date</b>	<b>Total Value of LSOs (Kshs.)</b>
1	8/6/2017	48,160,324
2	9/6/2017	195,019,180
3	12/6/2017	303,145,120
4	13/6/2017	155,292,219
5	14/6/2017	38,258,575
6	15/6/2017	34,443,259

No.	Date	Total Value of LSOs (Kshs.)
7	19/6/2017	9,177,010
8	27/6/2017	81,805,604
		<b>865,301,290</b>

The expenditure has not been fully supported or satisfactorily explained to date by the management. Consequently, it has still not been possible to confirm the propriety and value for money of the expenditure of Kshs. 865,301,290 on water pans and small dams.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusions on Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

### Basis for Conclusion

#### 1. Poor Record Keeping of Imprests

It was observed that officers in the State Department of Irrigation normally applied for imprest for field visits and inspections. Although these imprests could be traced to the IFMIS records and therefore had been approved for issuance for specific tasks, the following weaknesses were observed:

- (i) The Imprests Register was not up to date and thus could not be relied upon. Some imprests were also surrendered without the original approval documents.
- (ii) Some officers had been issued with more than one temporary imprests contrary to regulation 93(4)(b) of the Public Finance Management (National Government) Regulations, 2015.
- (iii) Some officers had been issued with imprests on behalf of others instead of paying the concerned officers' individually.
- (iv) Imprests surrenders were not being accompanied with original request documents, which meant that imprest request documents could be used more than once.
- (v) The surrendered imprests were not supported with field inspection reports and findings.

- (vi) The imprest register would reflect some imprests as outstanding and others as surrendered while the opposite was actually true.
- (vii) Some imprest surrenders would be partially supported.

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, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusions on Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

### Basis for Conclusion

#### 1. Ineffective Audit Committee

The State Department for Irrigation constituted an audit committee during the year under review. However, the committee did not convene or hold regular meetings during the year contrary to the requirements under regulation 179 of the Public Finance Management (National Government) Regulations, 2015. Consequently, no internal audit report as tabled or discussed by the audit committee was made available to the Auditor General.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (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 control, risk management and governance.

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of State Department for Irrigation 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 State Department to cease sustaining 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 State Department for Irrigation to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

**Nairobi**

**15 March 2019**


**MINISTRY OF WATER AND IRRIGATION  
STATE DEPARTMENT FOR IRRIGATION  
Reports and Financial Statements  
For the year ended June 30, 2018**


**REPORT OF THE AUDITOR-GENERAL ON THE STATE DEPARTMENT FOR IRRIGATION  
FOR THE YEAR ENDED 30 JUNE 2018**

**STATEMENT OF RECEIPTS AND PAYMENTS**

	Note	2017/2018 Kshs	2016/2017 Kshs
<b>RECEIPTS</b>			
Proceeds from Domestic and Foreign Grants	1	35,414,342	-
Transfers from National Treasury	2	6,696,547,957	7,477,294,345
Proceeds from Foreign Borrowings	3	3,555,714,389	1,608,867,199
Proceeds from sale of Assets	4	244,838,105	-
<b>TOTAL REVENUES</b>		<b>10,532,514,793</b>	<b>9,086,161,544</b>
<b>PAYMENTS</b>			
Compensation of Employees	5	180,355,628	102,930,735
Use of goods and services	6	37,948,096	47,631,799
Transfers to Other Government Units	7	5,122,674,936	7,270,646,073
Acquisition of Assets	8	5,187,675,452	1,033,601,364
<b>TOTAL PAYMENTS</b>		<b>10,528,654,112</b>	<b>8,454,809,971</b>
<b>SURPLUS/DEFICIT</b>		<b>3,860,682</b>	<b>631,351,573</b>

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 30.10.2018 and signed by:

  
Principal Secretary  
Name: Prof. Fred H.K. Segor, CBS

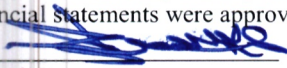
  
Ag. Principal Accounts Controller  
Name: CPA Jackline Motabori Mose  
ICPAK Member Number: 12013

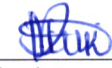
**MINISTRY OF WATER AND IRRIGATION  
STATE DEPARTMENT FOR IRRIGATION  
Reports and Financial Statements  
For the year ended June 30, 2018**

**VI.STATEMENT OF ASSETS AND LIABILITIES**

	Note	2017/2018 Kshs	2016/2017 Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	9A	88,317,851	701,076,495
Cash Balances	9B	-	1,005,100
<b>Total Cash And Cash Equivalents</b>		<b>88,317,851</b>	<b>702,081,595</b>
Accounts Receivables - Outstanding Imprest and Clearence Accounts	10	1,078,411	34,067,310
<b>TOTAL FINANCIAL ASSETS</b>		<b>89,396,261</b>	<b>736,148,905</b>
<b>LESS: FINANCIAL LIABILITIES</b>			
Accounts Payables - Deposits	11	85,535,580	104,797,332
<b>NET FINANCIAL ASSETS</b>		<b>3,860,682</b>	<b>631,351,573</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	12	631,351,573	-
Prior year adjustments	13	(631,351,573)	-
<b>Surplus/De fict for the year</b>		<b>3,860,682</b>	<b>631,351,573</b>
<b>NET FINANCIAL POSSITION</b>		<b>3,860,682</b>	<b>631,351,573</b>

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 30.10.2018 and signed

  
Principal Secretary  
Name: Prof.Fred H.K Segor, CBS

  
Ag.Principal Accounts Controller  
Name: CPA Jackline Motabori Mose  
ICPAK Member Number: 12013


**MINISTRY OF WATER AND IRRIGATION  
STATE DEPARTMENT FOR IRRIGATION  
Reports and Financial Statements  
For the year ended June 30, 2018**

**STATEMENT OF CASH FLOWS**

	Note	2017/2018 Kshs	2016/2017 Kshs
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Proceeds from Domestic and Foreign Grants	1	35,414,342	-
Transfers from National Treasury	2	6,696,547,957	7,477,294,345
		<b>6,731,962,299</b>	<b>7,477,294,345</b>
<b>Payments for operating expenses</b>			
Compensation of Employees	4	180,355,628	102,930,735
Use of goods and services	5	37,948,096	47,631,799
Transfers to Other Government Units	6	5,122,674,936	7,270,646,073
		<b>5,340,978,660</b>	<b>7,421,208,607</b>
<b>Adjusted for:</b>			
Changes in receivables		32,988,899 -	34,067,310
Changes in payables	-	19,261,752	104,797,332
Adjustments during the year	12 -	631,351,573	-
<b>Net cash flow from operating activities</b>		<b>773,359,214</b>	<b>126,815,760</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of Assets	4	244,838,105	-
Acquisition of Assets	7	(5,187,675,452)	(1,033,601,364)
<b>Net cash flows from Investing Activities</b>		<b>(4,942,837,347)</b>	<b>(1,033,601,364)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings	3	3,555,714,389	1,608,867,199
<b>Net cash flow from financing activities</b>		<b>3,555,714,389</b>	<b>1,608,867,199</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>	-	<b>613,763,744</b>	<b>702,081,595</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>702,081,595</b>	<b>-</b>
<b>Cash and cash equivalent at END of the year</b>		<b>88,317,851</b>	<b>702,081,595</b>

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 30/09/2018 and signed by:

  
Principal Secretary  
Name: Prof. Fred H.K. Segor, CBS

  
Ag. Principal Accounts Controller  
Name: CPA Jackline Motabori Mose

ICPAK Member Number: 120133

MINISTRY OF WATER AND IRRIGATION  
STATE DEPARTMENT FOR IRRIGATION

Reports and Financial Statements

For the year ended June 30, 2018

SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT  
COMBINED


Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of
						Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>RECEIPTS</b>						
Proceeds from Domestic and Foreign Grants	30,000,000	30,000,000	60,000,000	35,414,342	24,585,658	59%
Exchequer releases	9,329,950,000	(1,647,443,570)	7,682,506,430	6,696,547,957	985,958,473	87%
Proceeds from Foreign Borrowings	3,176,000,000	3,238,440,163	6,414,440,163	3,555,714,389	2,858,725,774	55%
Proceeds from Sale of Assets	200,000,000	200,000,000	400,000,000	244,838,105	155,161,895	61%
<b>Total Receipts</b>	<b>12,735,950,000</b>	<b>1,820,996,593</b>	<b>14,556,946,593</b>	<b>10,532,514,793</b>	<b>4,024,431,800</b>	<b>72%</b>
<b>Payments</b>						
Compensation of Employees	73,150,000	115,050,413	188,200,413	180,355,628	7,844,785	96%
Use of goods and services	49,645,680	(2,949,300)	46,696,380	37,948,096	8,748,284	81%
Transfers to Other Government Units	8,827,300,000	170,093,708	8,997,393,708	5,122,674,936	3,874,718,772	57%
Social Security Benefits	0	3,000,000	3,000,000	0	3,000,000	0%
Acquisition of Assets	3,785,854,320	1,535,801,772	5,321,656,092	5,187,675,452	133,980,640	97%
<b>Grand Total</b>	<b>12,735,950,000</b>	<b>1,820,996,593</b>	<b>14,556,946,593</b>	<b>10,528,654,112</b>	<b>4,028,292,482</b>	<b>72%</b>
Surplus/Deficit	0	0	0	3,860,682	(3,860,682)	


Notes:

- i. Underutilization on proceeds from Domestic and foreign grants of 59% is as a result of delay in project implementation.
- ii. Underutilization on Exchequer releases of 87% is as a result of late exchequer requisition necessitated by long procurement processes.
- iii. Underutilization on Proceeds from foreign Borrowings of 55% is as a result of non-requisition by the user department that is National Irrigation Board.
- iv. Underutilization on proceeds from sale of assets of 61% is as result of no sale of goods.
- v. Underutilization on use of goods of 81% is as a result of long procurement process in the Department.
- vi. Underutilization on Transfer to other Government entities of 57% is as a result of non-requisition by the user department.
- vii. Underutilization on Social Security Benefits of 0% is as a result of delay in loading of the supplementary budget.

*(Explain whether the changes between the original and final budget are as a result of reallocations within the budget or other causes as per IPSAS 1.9.23.) The actual on a comparable basis in the Summary Statement of Appropriation: Recurrent and Development Combined should agree to the amounts reported in the Statement of Receipts and Payments.*

The entity financial statements were approved on ..... 30/06 ..... 2018 and signed by:

  
Principal Secretary  
Name: Prof. Fred H.K Segor, CBS

  
Ag. Principal Accounts Controller  
Name: CPA Jackline Motabori Mose  
ICPAK Member Number: 120133

**MINISTRY OF WATER AND IRRIGATION  
STATE DEPARTMENT FOR IRRIGATION  
Reports and Financial Statements  
For the year ended June 30, 2018**

**IV. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT**

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of
						Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=d-c	f=d/c %
<b>RECEIPTS</b>			0			
Exchequer releases	277,650,000	268,673,953	546,323,953.00	537,665,480	8,658,473	98%
Proceeds from Sale of Assets	200,000,000	200,000,000	400,000,000.00	244,838,105	155,161,895	61%
<b>Total Receipts</b>	<b>477,650,000</b>	<b>468,673,953</b>	<b>946,323,953</b>	<b>782,503,585</b>	<b>163,820,368</b>	<b>83%</b>
<b>PAYMENTS</b>						
Compensation of Employees	73,150,000	115,050,413	188,200,413	180,355,628	7,844,785	96%
Use of goods and services	49,645,680	(2,949,300)	46,696,380	41,448,610	5,247,770	89%
Transfers to Other Government Units	354,000,000	354,000,000	708,000,000	552,838,105	155,161,895	78%
Social Security Benefits		3,000,000	3,000,000	0	3,000,000	0%
Acquisition of Assets	854,320	(427,160)	427,160	160,500	266,660	38%
<b>Grand Total</b>	<b>477,650,000</b>	<b>468,673,953</b>	<b>946,323,953</b>	<b>774,802,842</b>	<b>171,521,111</b>	<b>82%</b>
Surplus/Deficit	0	0	0	7,700,743	(7,700,743)	

**Notes**

- i. Underutilization on the Proceeds from Sale of Assets of 61% is as a result of Non-disclosure by the SAGAs of the AIA collected.
- ii. Underutilization on the Use of goods and services of 89% is as a result of late procurement process.
- iii. Underutilization on Social Security Benefits of 0% is as a result of delay in loading of the supplementary budget
- iv. Underutilization in the Transfer to Other Government units of 78% is as a result of Non-disclosure by the SAGAs of the AIA collected.
- v. Underutilization in the Acquisition of Assets of 38% is as a result of late procurement process and lack of procurement plan.

*(Explain whether the changes between the original and final budget are as a result of reallocations within the budget or other causes as per IPSAS 1.9.23. The totals of actual on comparable basis under the recurrent and development statement should equal to the total on actual on comparable basis under the Combined Summary Statement of Appropriation.)*

The entity financial statements were approved on ..... 30/09/2018 and signed by:



Principal Secretary  
Name: Prof. Fred H.K Segor, CBS



Ag. Principal Accounts Controller  
Name: CPA Jackline Motabori Mose  
ICPAK Member Number: 120133

**MINISTRY OF WATER AND IRRIGATION  
STATE DEPARTMENT FOR IRRIGATION  
Reports and Financial Statements  
For the year ended June 30, 2018**

**SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT**

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable	Budget Utilisation	% of
				Basis d	Difference e=c-d	Utilisation f=d/c %
<b>RECEIPTS</b>						
Proceeds from Domestic and Foreign Grants	30,000,000	30,000,000	60,000,000.00	35,414,342	24,585,658	59%
Exchequer releases	9,052,300,000	(1,916,117,523)	7,136,182,477	6,158,882,477	977,300,000	86%
Proceeds from Foreign Borrowings	3,176,000,000	3,238,440,163	6,414,440,163.00	3,555,714,389	2,858,725,774	55%
<b>Total Receipts</b>	<b>12,258,300,000</b>	<b>1,352,322,640</b>	<b>13,610,622,640</b>	<b>9,750,011,208</b>	<b>3,860,611,432</b>	<b>72%</b>
<b>Payments</b>						
Transfers to Other Government Units	8,473,300,000	(183,906,292)	8,289,393,708.00	4,569,836,831	3,719,556,877	55%
Acquisition of Assets	3,785,000,000	1,536,228,932	5,321,228,932.00	5,187,514,952	133,713,980	97%
<b>Grand Total</b>	<b>12,258,300,000</b>	<b>1,352,322,640</b>	<b>13,610,622,640</b>	<b>9,757,351,783</b>	<b>3,853,270,857</b>	<b>72%</b>
Surplus/Deficit	0	0	0	(7,340,575)	7,340,575	

**Notes:-**

- Underutilization on proceeds from Domestic and foreign grants of 59% is as a result of non-requisition by the user department. i.e. NIB
- Underutilization on Exchequer releases of 86% is as a result of late exchequer requisition necessitated by long procurement processes.
- Underutilization on Proceeds from foreign Borrowings of 55% is as a result of non-requisition by the user department that is National Irrigation Board.
- Underutilization on Transfer to other Government entities of 55% is as a result of non-requisition by the user department.

*(Explain whether the changes between the original and final budget are as a result of reallocations within the budget or other causes as per IPSAS 1.9.23. The totals of actual on comparable basis under the recurrent and development statement should equal to the total on actual on comparable basis under the Combined Summary Statement of Appropriation.)*

The entity financial statements were approved on 30/09.....2018 and signed by:



Principal Secretary  
Name: Prof. Fred H.K. Segor, CBS



Ag. Principal Accounts Controller  
Name: CPA Jackline Motabori Mose  
ICPAK Member Number: 120133

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**BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES**

Programme/Sub-programme	Original Budget 30th June, 2018 Kshs	Adjustments Kshs	Final Budget 30th June, 2018 Kshs	Actual on comparable basis 30th June, 2018 Kshs	Budget utilization difference Kshs
<b>101400000</b>	<b>8,277,420,805</b>		<b>8,277,420,805</b>	<b>4,723,752,513</b>	<b>3,553,668,292</b>
1014020000	55,474,699		55,474,699	53,743,097	
1014030000	8,221,946,106		8,221,946,106	4,670,009,417	3,551,936,689
<b>101500000</b>	<b>6,274,265,857</b>		<b>6,274,265,857</b>	<b>5,800,678,688</b>	<b>473,587,169</b>
1015010000	5,061,137,200		5,061,137,200	5,271,921,118	(210,783,918)
1015020000	1,213,128,657		1,213,128,657	528,757,570	684,371,087
<b>101600000</b>	<b>5,259,931</b>		<b>5,259,931</b>	<b>4,222,910</b>	<b>1,037,021</b>
1016010000	5,259,931		5,259,931	4,222,910	1,037,021
<b>TOTAL</b>	<b>14,556,946,593</b>	<b>0</b>	<b>14,556,946,593</b>	<b>10,528,654,112</b>	<b>4,028,292,482</b>

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the Entity's budgets which are programme based.)

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**SIGNIFICANT ACCOUNTING POLICIES**

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

**1. 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 notes below.

This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The receivables and payables are disclosed in the Statement of Assets and Liabilities. The Statement of Assets and Liabilities is not mandatory statement under the IPSAS Cash basis but is encouraged in order to disclose information on assets and liabilities.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

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

**2. Reporting entity**

The financial statements are for the *State Department for Irrigation*. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

Thwake Multipurpose water Development program Phase 1
Small Holder Irrigation Programme
Lower Nzoia Irrigation Project Phase 2
Bura Irrigation Scheme
Land Reclamation Programme
Community Based Irrigation Project
GalanaKulalu Irrigation Development Project
National Expanded Irrigation Programme
Mwea Irrigation Development Project
Rwabura Irrigation Project
National Water Harvesting and Ground Water Exploitation.
Water for Schools

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**3. Recognition of receipts and payments**

**a) Recognition of receipts**

The Entity recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the entity.

**Tax receipts**

Tax Receipts is recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**External Assistance**

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

**Donations and grants**

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

**Proceeds from borrowing**

Borrowing includes Treasury bill, treasury bonds, corporate bonds; sovereign bonds and external loans acquired by the entity or any other debt the Entity may take on will be treated on cash basis and recognized as receipts during the year of receipt.

**Undrawn external assistance**

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for projects currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. During the year ended 30th June 2018, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

**Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognised in the financial statements the time associated cash is received.

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**b) Recognition of payments**

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

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**Compensation of employees**

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

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of goods and services**

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

**Interest on borrowing**

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

**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.

**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 disclosure. This summary is disclosed as an annexure to the entity's financial statements.

**4. In-kind contributions**

In-kind contributions are donations that are made to the *entity* 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 *entity* includes such value in the statement of receipts and payments both as receipts and as expense in equal and opposite amounts; otherwise, the contribution is not recorded.

**5. 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.

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**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 party deposits. As at 30th June 2018, this amounted to Kshs. 85,535,580 as indicated on note 12.

There were no other restrictions on cash during the year

**6. Accounts Receivable**

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are 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.

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**NOTES TO THE FINANCIAL STATEMENTS**

**1. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS**

<b>PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS</b>		
<b>Name of Donor</b>	<b>2017-2018 Kshs</b>	<b>2016-2017 Kshs</b>
Grants Received from Bilateral Donors (Foreign Governments)		
	35,414,342	-
<b>TOTAL</b>	<b>35,414,342</b>	<b>-</b>

**2. EXCHEQUER RELEASES**

<b>EXCHEQUER RELEASES</b>		
<b>Description</b>	<b>2017-2018 Kshs</b>	<b>2016-2017 Kshs</b>
Total Exchequer Releases for quarter 1	2,853,755,480	1,656,000,000
Total Exchequer Releases for quarter 2	531,083,050	1,765,000,000
Total Exchequer Releases for quarter 3	1,728,400,000	1,157,294,345
Total Exchequer Releases for quarter 4	1,583,309,427	2,899,000,000
<b>TOTAL</b>	<b>6,696,547,957</b>	<b>7,477,294,345</b>

**3. PROCEEDS FROM FOREIGN BORROWINGS**

<b>PROCEEDS FROM FOREIGN BORROWINGS</b>		
	<b>2017-2018 Kshs</b>	<b>2016-2017 Kshs</b>
Foreign Borrowing - Draw-downs Through Exchequer	18,785,193	
Foreign Borrowing - Direct Payments	3,536,929,197	1,608,867,199
<b>TOTAL</b>	<b>3,555,714,389</b>	<b>1,608,867,199</b>

**4. PROCEEDS FROM FOREIGN BORROWINGS**

<b>PROCEEDS FROM SALE OF ASSETS</b>		
	<b>2017-2018 Kshs</b>	<b>2016-2017 Kshs</b>
Receipts from sale of certified seeds and breeding stock	244,838,105	-
<b>TOTAL</b>	<b>244,838,105</b>	<b>-</b>

**5. COMPENSATION OF EMPLOYEES**

<b>COMPENSATION OF EMPLOYEES</b>		
	<b>2017-2018 Kshs</b>	<b>2016-2017 Kshs</b>
Basic salaries of permanent employees	108,105,005	57,734,639
Personal allowances paid as part of salary	72,250,622	45,196,096
<b>TOTAL</b>	<b>180,355,628</b>	<b>102,930,735</b>

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*NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*

**6. USE OF GOODS AND SERVICES**

<b>USE OF GOODS AND SERVICES</b>		
	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Utilities, supplies and services	1,494,109	-
Communication, supplies and services	1,923,233	4,494,069
Domestic travel and subsistence	9,700,095	8,355,411
Foreign travel and subsistence	3,196,011	7,066,477
Printing, advertising and information supplies & services	1,317,010	2,404,885
Training expenses	1,257,129	5,352,788
Hospitality supplies and services	1,801,486	3,126,050
Specialised materials and services	494,590	446,694
Office and general supplies and services	2,491,528	2,355,785
Other operating expenses	1,763,050	5,832,866
Routine maintenance – vehicles and other transport equipment	5,140,114	1,939,158
Routine maintenance – other assets	633,669	842,160
Fuel Oil and Lubricants	6,736,072	5,415,456
<b>TOTAL</b>	<b>37,948,096</b>	<b>47,631,799</b>

**7. GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES**

<b>TRANSFER TO OTHER GOVERNMENT ENTITIES</b>		
<b>Description</b>	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Transfers to National Government entities (SCOA Codes 2630100, 2630200, 2640400, 2640500, 2649900, 2820100, 2820200, 2820300)		-
Recurrent	552,838,105	307,900,000
Development	4,569,836,831	6,962,746,073
<b>TOTAL</b>	<b>5,122,674,936</b>	<b>7,270,646,073</b>

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The above transfers were made to the following self-reporting entities in the year:

Description	Reccurent	Development	2017-2018
	Kshs	Kshs	Kshs
<b>Transfers to SAGAs and SCs</b>			
Small Holder Irrigation Programme-Headquaters	-	11,270,350	<b>11,270,350</b>
Bura Irrigation Scheme-NIB	-	387,844,411	<b>387,844,411</b>
Galana Kulalu Irrigation Development Project-NIB	-	377,025,823	<b>377,025,823</b>
National expanded Irrigation programme-NIB	-	2,876,305,591	<b>2,876,305,591</b>
Mwea Irrigation Development Project-NIB	-	232,000,365	<b>232,000,365</b>
Rwabura Irrigation Development Project-NIB	-	22,632,500	<b>22,632,500</b>
National Water Havesting and Ground water exploitation- Water for Schools-Headquaters	-	504,119,669	<b>504,119,669</b>
Turkana Irrigation Development project-NIB	-	76,502,083	<b>76,502,083</b>
Lower Kuja Irrigation Scheme-NIB	-	34,106,000	<b>34,106,000</b>
Lower sabor Irrigation Project-NIB	-	27,897,500	<b>27,897,500</b>
Lower sabor Irrigation Project-NIB	-	20,132,539	<b>20,132,539</b>
National Irrigation Board	552,838,105.00	-	<b>552,838,105</b>
<b>TOTAL</b>	<b>552,838,105.00</b>	<b>4,569,836,831</b>	<b>5,122,674,936</b>

## 8. ACQUISITION OF ASSETS

ACQUISITION OF ASSETS	2017-2018	2016-2017
	Kshs	Kshs
<b>Non Financial Assets</b>		
Construction and Civil Works	5,184,704,489	1,033,601,364
Purchase of Office Furniture and General Equipment	92,500	-
Purchase of ICT Equipment, Software and Other ICT Assets	68,000	-
Research, Studies, Project Preparation, Design & Supervision	2,810,463	-
<b>Sub Total</b>	<b>5,187,675,452</b>	<b>1,033,601,364</b>
<b>Financial Assets</b>		
<b>Sub Total</b>	<b>5,187,675,452</b>	<b>1,033,601,364</b>
<b>TOTAL</b>	<b>5,187,675,452</b>	<b>1,033,601,364</b>

## 9A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit e.t.c	Exc rate (if in foreign currency)	2017-2018	2016-2017
				Kshs	Kshs
Central Bank of Kenya, 1000302151.KShs	Ksh	Reccurent	-	1,371,850	595,952,227
Central Bank of Kenya, 1000302178.KShs	Ksh	Development	-	1,410,421	326,936
Central Bank of Kenya, 1000302194.KShs	Ksh	Deposit	-	85,535,580	104,797,332
<b>Total</b>	-	-	-	<b>88,317,851</b>	<b>701,076,495</b>

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**9B: CASH IN HAND**

Cash in hand		2017-2018	2016-2017
		Kshs	Kshs
Cash in Hand – Held in domestic currency			1,005,100
<b>TOTAL</b>		-	<b>1,005,100</b>

Cash in hand should also be analysed as follows:

		2017-2018	2016-2017
		Kshs	Kshs
Headquarters, Maji Hse Building, Cashoffice			1,005,100
<b>TOTAL</b>		-	<b>1,005,100</b>

**10: ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS**

Outstanding Imprests		2017-2018	2016-2017
Description		Kshs	Kshs
Government Imprests		1,078,411	23,098,678
Clearance accounts		-	10,968,632
<b>TOTAL</b>		<b>1,078,411</b>	<b>34,067,310</b>

**11. ACCOUNTS PAYABLE**

Accounts Payables		2017-2018	2016-2017
		Kshs	Kshs
Deposits		85,535,580	104,797,332
<b>TOTAL</b>		<b>85,535,580</b>	<b>104,797,332</b>

*[Relates to retention held for contractors in the deposit account]*

**12. BALANCES BROUGHT FORWARD**

BALANCES BROUGHT FORWARD		2017-2018	2016-2017
		Kshs	Kshs
Bank accounts		701,076,495	-
Cash in hand		1,005,100	-
Receivables - Outstanding Imprests		34,067,310	-
Payables - Deposits		(104,797,332)	-
<b>TOTAL</b>		<b>631,351,573</b>	-

**13. PRIOR YEAR ADJUSTMENTS**

PRIOR YEAR ADJUSTMENTS		2017-2018	2016-2017
Description of the error		Kshs	Kshs
Adjustments on bank account balances		(596,279,163)	0
Adjustments on cash in hand		(1,005,100)	
Adjustments on payables			
Adjustments on receivables		(34,067,310)	0
Others (specify )			
<b>TOTAL</b>		<b>(631,351,573)</b>	<b>0</b>

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**14. RELATED PARTY DISCLOSURES**

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the State Department of Water and Irrigation.

- Key management personnel that include the Cabinet Secretaries and Accounting Officers
- Other Ministries Departments and Agencies and Development Projects;
- County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

RELATED PARTY DISCLOSURES				2017-2018	2016-2017
				Kshs	Kshs
Key Management compensation					
Transfers to other State Corporations and Semi-Autonomous Government Agencies				5,122,674,936	7,270,646,073

*NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*

**15. OTHER IMPORTANT DISCLOSURES**

**15.1: PENDING ACCOUNTS PAYABLE (See Annex 1)**

Description	2017 – 2018	2016 – 2017
	Kshs	Kshs
Construction of buildings	-	-
Construction of civil works	-	-
Supply of goods	-	-
Supply of services		
	-	-

**15.2: PENDING STAFF PAYABLES (See Annex 2)**

	2017 – 2018	2016 – 2017
	Kshs	Kshs
Unionisable employees	-	-
	-	-

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**15.3: OTHER PENDING PAYABLES (See Annex 3)**

	<b>2017 – 2018</b>	<b>2016 – 2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Amounts due to third parties	85,535,580	104,797,332
	<b>85,535,580</b>	<b>104,797,332</b>

**16. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

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<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
N/A	N/A	N/A	N/A	N/A	N/A

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**ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER**

Asset class	Historical Cost b/f (Kshs)	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs)
Buildings and structures	1,033,601,364	5,184,704,489	0	6,218,305,853
Office equipment, furniture and fittings	0	92,500	0	92,500
ICT Equipment, Software and Other ICT Assets	0	68,000	0	68,000
Heritage and cultural assets	0	2,810,463	0	2,810,463
<b>Total</b>	<b>1,033,601,364</b>	<b>5,187,675,452</b>	<b>0</b>	<b>6,221,276,816</b>

**ANNEX 5 – LIST OF PROJECTS IMPLEMENTED BY THE STATE DEPARTMENT FOR IRRIGATION.**

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements(yes/no)
1	Thwake Multipurpose water Development program Phase 1	Irrigation	Prof.Fred H.K Segor, CBS	No
2	Small Holder Irrigation Programme	Irrigation	Prof.Fred H.K Segor, CBS	Yes
	Lower Nzoia Irrigation Project Phase 2	Irrigation	Prof.Fred H.K Segor, CBS	Yes
	Bura Irrigation Scheme	Irrigation	Prof.Fred H.K Segor, CBS	No
	Land Reclamation Programme	Land Reclamation	Prof.Fred H.K Segor, CBS	Yes
	Community Based Irrigation Project	Irrigation	Prof.Fred H.K Segor, CBS	Yes
	GalanaKulalu Irrigation development project	Irrigation	Prof.Fred H.K Segor, CBS	Yes
	Regional Expanded Irrigation Programme	Irrigation	Prof.Fred H.K Segor, CBS	No
	Irrigation development	Irrigation	Prof.Fred H.K Segor, CBS	No



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10	Rwabura Irrigation Project	Irrigation	Prof.Fred H.K Segor, CBS	No
11	National Water Harvesting and Ground Water Expoitation.	Construction of Waterpans/Dams and Drilling of Bore holes.	Prof.Fred H.K Segor, CBS	Yes
12	Water for Schools	Drilling of bore holes	Prof.Fred H.K Segor, CBS	Yes

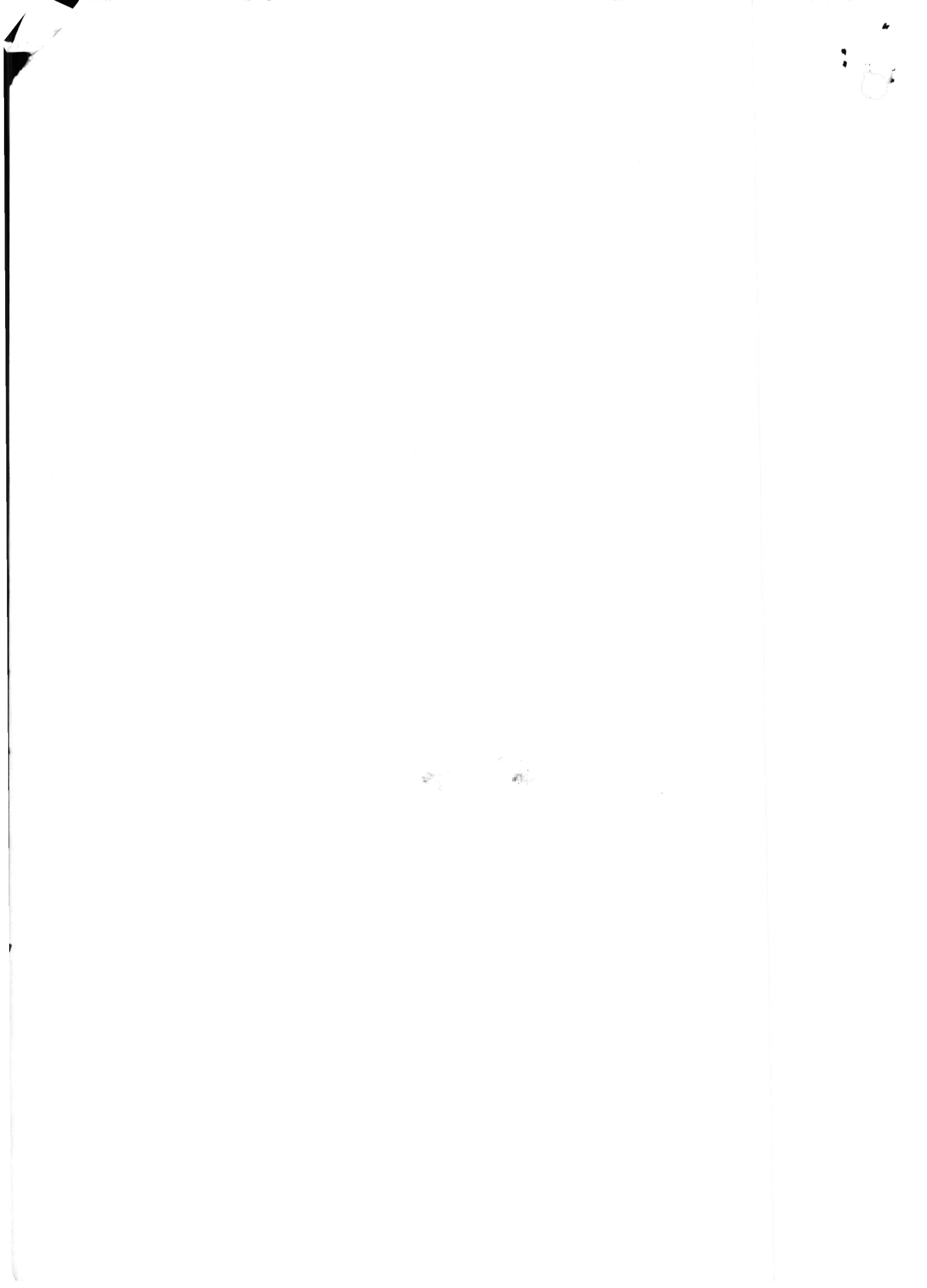
**ANNEX 6 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE STATE DEPARTMENT FOR IRRIGATION**

Description	Reccurent	Development	2017-2018
	Kshs	Kshs	Kshs
<b>Transfers to SAGAs and SCs</b>			
Small Holder Irrigation Programme-Headquarters	-	11,270,350	<b>11,270,350</b>
Bura Irrigation Scheme-NIB	-	387,844,411	<b>387,844,411</b>
Galana Kulalu Irrigation Development Project-NIB	-	377,025,823	<b>377,025,823</b>
National expanded Irrigation programme-NIB	-	2,876,305,591	<b>2,876,305,591</b>
Mwea Irrigation Development Project-NIB	-	232,000,365	<b>232,000,365</b>
Rwabura Irrigation Development Project-NIB	-	22,632,500	<b>22,632,500</b>
National Water Havesting and Ground water exploitation- Water for Schools-Headquarters	-	504,119,669	<b>504,119,669</b>
Turkana Irrigation Development project-NIB	-	76,502,083	<b>76,502,083</b>
Lower Kuja Irrigation Scheme-NIB	-	34,106,000	<b>34,106,000</b>
Lower sabor Irrigation Project-NIB	-	27,897,500	<b>27,897,500</b>
Lower sabor Irrigation Project-NIB	-	20,132,539	<b>20,132,539</b>
National Irrigation Board	552,838,105.00	-	<b>552,838,105</b>
<b>TOTAL</b>	<b>552,838,105.00</b>	<b>4,569,836,831</b>	<b>5,122,674,936</b>

**ANNEX 7- REPORTS GENERATED FROM IFMIS**

The following financial Reports Generated from IFMIS should be generated and attached as appendices to these financial statements.

- i. GOK IFMIS Comparison Trial Balance
- ii. FO30 (Bank reconciliations) for all bank accounts
- iii. GOK IFMIS Receipts and Payments Statement
- iv. GOK IFMIS Statement of Financial Position
- v. GOK IFMIS Statement of Cash Flows
- vi. GOK IFMIS Notes to the Financial Statements
- vii. GOK IFMIS Statement of Budget Execution
- viii. GOK IFMIS Statement of Deposits
- ix. GOK IFMIS Budget Execution by Programme and Economic Classification
- x. GOK IFMIS Budget Execution by Heads and Programmes



**MINISTRY OF WATER AND IRRIGATION**  
**STATE DEPARTMENT FOR IRRIGATION**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**



