

OFFICE OF THE AUDITOR-GENERAL

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KENYA
BRARY

NATIONAL ASSEMBLY
PAPERS LAID

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THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
NATIONAL IRRIGATION BOARD (NIB)

FOR THE YEAR ENDED

30 JUNE 2017



NATIONAL IRRIGATION BOARD

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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

NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

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NATIONAL IRRIGATION BOARD
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KEY ENTITY INFORMATION AND MANAGEMENT

Background information

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

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

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

(a) Principal Activities

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

(b) Key Management

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

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

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

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

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

Beatrice Kingori
Deputy General Manager – (Operations)
National Irrigation Board
P.O BOX 30372, 00100
NAIROBI

George Jacob O. Odedeh
Regional Manager – (Western Region)
National Irrigation Board
P.O BOX 30372, 00100
NAIROBI

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

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

Rose Mwende
Principal Internal Auditor
National Irrigation Board

NATIONAL IRRIGATION BOARD
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P.O BOX 30372, 00100
NAIROBI

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

(c) Fiduciary Management

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

No.	Designation	Name
1.	General Manager	Gitonga Mugambi
2.	Chief Officer Finance	Kisaka Sakari

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(d) Fiduciary Oversight Arrangements

Finance committee ensures

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

Audit committee:

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

Research and Development Committee

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

Human Resource and General Purpose

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

(e) National Irrigation Board Headquarters

National Irrigation Board
Unyunyizi House
Lenana Road

(f) National Irrigation Board Contacts

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

(g) National Irrigation Board Bankers

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

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(h) Independent Auditors




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

(i) Principal Legal Adviser


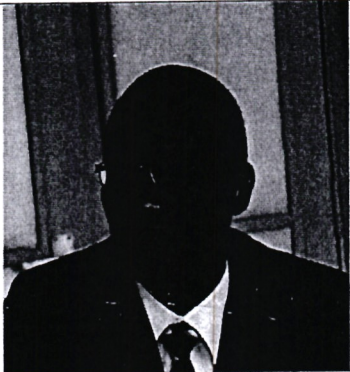

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017**

THE BOARD OF DIRECTORS

 <p>Mr. Mudzo Nzili</p>	<p>MR. MUDZO NZILI- CHAIRMAN</p> <p>Mr. Mudzo was appointed as the Chairman to the Board on 5th July 2018. He holds Masters in Business Administration, Degree in (MBAD) Kenya Methodist KEMU, Nairobi Campus Bachelor in Travel and Tourism Management (First Class Honors, KEMU, Nairobi Campus). Diploma in Tourism and Business Studies, Y.M.CA Shauri Moyo Nairobi. He has gained a wide range of experience by working in various capacities of leadership positions such as; vice Chairperson NHIF, acting Chairperson NHIF, National Chairman KNUT, assistant Deputy Secretary General of Kenya National Union of Teachers, assistant Secretary General, Kenya National Union of Teachers.</p>
 <p>Hon. Immanuel I. Imana</p>	<p>Hon. IMMANUEL ICHOR IMANA, CHAIRMAN</p> <p>Hon. Immanuel Ichor Imana was appointed to the Board as the chairman on 10th January, 2017. Prior to his appointment, Hon. Imana served in the Public Service for several years including being the Managing Director of Kerio Valley Development Authority. He has also held several Board positions. He has a wealth of knowledge in management. Prior to this appointment, he was a Peace Ambassador for Turkana County Government.</p>
 <p>Dr. Malachy C. Ekal Imana</p>	<p>DR. MALACHY C. EKAL IMANA, CHAIRMAN</p> <p>Dr. Malachy C. Ekal Imana was appointed to the Board as the chairman on 31st May 2016. He is a holder of PhD in Geological sciences; Geophysics option. He has wide experience as an instructor at Department of Geographical sciences, UTEP. He also worked with Andress High School, Horizon High School, Canutillo High School and Montwood High School. He was a lecturer in Egerton University. He has participated in many seminars, short courses and conferences. He served as a chairman until 9th January, 2017</p>

**NATIONAL IRRIGATION BOARD
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 <p>Mr. Gitonga Mugambi</p>	<p>GITONGA MUGAMBI GENERAL MANAGER</p> <p>Mr. Gitonga Mugambi was appointed the General Manager of National Irrigation Board on acting capacity, on 13th May 2016. He was appointed the General Manager of National Irrigation Board on 1st August 2017. He holds Bachelor of Science degree in Agronomy from University of Nairobi and holds an MBA in Strategic Management from Kenya Methodist University. Mr Gitonga Mugambi is a well accomplished agronomist with experience of over 25 years in Planning and Strategy, Resource Mobilization, Formulation of irrigation development programmes such as Economic Stimulus Programme. His experience is valuable in policy formulation, implementation and management of National Irrigation Board.</p>
 <p>Mr. Dennis Banda Aroka MBA,FCPS(K)</p>	<p>DENNIS BANDA AROKA COMPANY SECRETARY</p> <p>Dennis Banda Aroka is the Company Secretary of National Irrigation Board. Prior to joining the Board in 2012, he had practised as a consultant Company Secretary and held other similar positions for over 20 years. He holds an Executive MBA from Moi University. He also holds LLB (Hons) from Catholic University of East Africa. He is a fellow member of the Institute of Certified Public Secretaries of Kenya and a council member of the same institute.</p>
 <p>Eng. Japhet K. Rutere</p>	<p>ENG. JAPHET KABURU RUTERE</p> <p>Eng. Japhet K. Rutere was appointed to the Board on 17th April, 2015. He is a holder of B.Sc. Civil Engineering from University of Nairobi. He is currently doing masters in engineering. He is a licensed Qualified Water Resource Engineer, Water Act 2002 (Large dams)(LWRE) He is a Kenya registered and UK (ICE) chartered engineer. He has experience on Integrated Water Resources Management. He has been providing consultancy, technical assistance, audits, monitoring and evaluation services to national and international clientele since 1994.</p>

**NATIONAL IRRIGATION BOARD
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Hon. Hussein Halake Fayao

Hon. HUSSEIN HALAKE FAYO

Hussein Halake Fayao was appointed to the Board on 31st May 2016. He served as an elected Member of Parliament and as a teacher. He is a member of Supreme Council of Kenya Muslim. He attended courses on Corporate governance and Resource mobilization.



Prof. B.N.K. Njoroge

PROFESSOR BERNARD N. KIMANI NJOROGE

Professor Bernard N. Kimani Njoroge was appointed to the Board on 31st May 2016. He is a holder of Ph.D in Civil Engineering from the Duke University, Durham, North Carolina, U.S.A. He is a full Professor of Civil Engineering at University of Nairobi. He has served as Deputy Vice Chancellor Administration and Finance at University of Nairobi and as a Principal at College of Architecture and Engineering. He served as a Director in National Oil Corporation of Kenya, National Water Conservation and Pipeline Corporation, Kenya Technical Teachers College. He served as a Director for National Irrigation Board earlier. He served as Senate representative, Directory of Industrial training, Ministry of Labour.

He served as Acting Chief Engineer in City Council, water and sewerage department.

He is a member of the Institution of Engineers' of Kenya. He is a registered Engineer with The Kenya Engineers' Registration Board. He is a Registered Consulting Engineer.






Mr. K. P. Lalaikipiani

KAMBAKI PAUL LALAIKIPIANI

Kambaki Paul Lalaikipiani was appointed to the Board on 31st May 2016. He is a holder of Bsc. (Agribusiness Management) from Egerton University. He studied for BA (Hons) in Development Studies from University of South Africa. He is currently doing MA in Monitoring and Evaluation in Maseno University. He has experience on Coordination and Intergration. He served in Management positions with World Vision. He is contracted by National Drought Management Authority (NDMA)

**NATIONAL IRRIGATION BOARD
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 <p>Beatrice Mbingi</p>	<p>BEATRICE MBINGI</p> <p>Beatrice Mbingi was appointed to the Board on 31st May 2016. She is a holder of Diploma in Business Administration from Kenya Institute of Management. She has experience on leadership, team and practical skills. She served as Vice Chair Lady and as an Executive Member of Maendeleo Ya Wanawake.</p>
 <p>Ms. Caroline G. Mugwongo</p>	<p>CAROLINE GATWIRI MUGWONGO</p> <p>Caroline Gatwiri Mugwongo was appointed to the Board on 31st May 2016. She is a holder of Post Graduate Diploma in Project Planning and Management from University of Nairobi. She is a holder of Bachelor of Arts in Economics and Sociology. Currently she is doing Masters in Arts in Rural Sociology and Community Development in The University Of Nairobi. She has been serving as a Planning and Management Consultant with Base Mark Consulting. She served as Corporate Sales and Marketing Manager with Interchange Kenya Ltd.</p>
 <p>Mr. Edwin Irungu Gikunju</p>	<p>EDWIN IRUNGU GIKUNJU</p> <p>Edwin Irungu Gikunju was appointed to the Board on 31st May 2016. He is a holder of B.Sc. Horticulture from Jomo Kenyatta University of Agriculture and Technology. He served as the General Manager with Hangzhou Agrochemical Industries Ltd. He also served as Managing Director with Eurochem International Ltd. He served as Assistant Sales Manager with BASF (Agrochemical Company) and as a Sales Representative with Osho Chemical Industries Ltd. He served as a Board Member at Mary Hill Girls High School.</p>

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017**



Eng. Wilfred Onchwari Onchoke

Eng. Wilfred Onchoke is a member of the Board by virtue of his position as the Alternate to the Permanent Secretary, Ministry of Water and Irrigation. He is also a Non-Executive Director of Mwea Rice Mills Limited, a Subsidiary of National Irrigation Board. He is Deputy Director Technical Services Division in the Ministry OF Water and Irrigation. Prior to his current appointment, Eng. Onchoke was the Provincial Irrigation Officer- Western Province, Officer-in-Charge Provincial Irrigation Unit Western Province, District Irrigation Engineer Meru, Irrigation Engineer (Ministry of Agriculture) Coffee Factories Irrigation Engineer and Deputy Manager Agricultural Mechanization Station in the Ministry of Agriculture. He is a holder of M.S.C in Land and Water Engineering as well as B.S.C Degree in Agricultural Engineering (Honours) from University of Nairobi. He is an Associate Member of Kenya Society for Agricultural Engineers (KSAE), Corporate Member of Institution of Engineers of Kenya and a Registered Engineer. As a member of the Board, Eng. Onchoke ensures that the policies WKRM Limited implements are in line with the Government policy.



Mr. Charles Kairu

MR. CHARLES KAIRU – ALTERNATE TO PERMANENT SECRETARY, MINISTRY OF FINANCE, NON-EXECUTIVE DIRECTOR

Mr. Charles Kairu was appointed to the Bboard on 14th October, 2015 as alternate Director to the Cabinet Secretary, National Treasury. He is holder of a Master Degree in Development Economics from Williams College, USA and a Bachelor’s Degree in Economics from the University of Nairobi. He has over 30 years’ experience in the Public Service and is currently serving as Senior Assistant Director in the Public Debt Management Office at the National Treasury.

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017**

MANAGEMENT TEAM



Mr. Gitonga Mugambi

GITONGA MUGAMBI GENERAL MANAGER

Mr. Gitonga Mugambi was appointed the General Manager of National Irrigation Board on acting capacity, on 13th May 2016. He was appointed the General Manager of National Irrigation Board on 1st August 2017. He holds Bachelor of Science degree in Agriculture from University of Nairobi and holds an MBA in Strategic Management from Kenya Methodist University. Mr Gitonga Mugambi is a well accomplished agriculturist with experience of over 25 years in Planning and Strategy, Resource Mobilization, Formulation of irrigation development programmes such as Economic Stimulus Programme. His experience is valuable in policy formulation, implementation and management of National Irrigation Board.

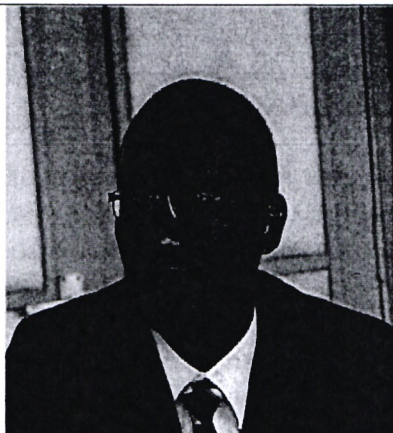


Mr. Daniel Atula Masatia

**DANIEL ATULA MASATIA DEPUTY GENERAL
MANAGER - OPERATIONS**

Mr. Daniel Atula Masatia was appointed the post of Deputy General Manager Operations of National Irrigation Board on acting capacity, on 1st July 2016. He holds Bachelor of Science degree in Agriculture from University of Nairobi and is currently pursuing his MBA in Strategic Management. Mr Daniel Masatia is a well accomplished agriculturalist and manager with experience of over 25 years in scheme, projects and research operations, planning and Strategy formulation and implementation, Resource Mobilization, Formulation and execution of irrigation programmes ranging from development to operations. His experience and expertise is valuable in policy formulation and to the provision of irrigation services.

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017**



Mr. Dennis Banda Aroka

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



Eng. Charles C. Koske

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

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

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

Due to his wide diverse experience in the Water Sector, he brings in a wealth of experience to the Board.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017**



Eng. Raphael Ogendo

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

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

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

Due to his wide diverse experience in the Irrigation and Drainage sector, he brings in a wealth of experience to the Board. He is a registered Engineer with Engineer's Registration Board as well as Corporate Member of the Institute of Engineers of Kenya.



Mary M.Chomba

**MARY M. CHOMBA DEPUTY GENERAL MANAGER
PLANNING & STRATEGY**

Mary M. Chomba joined National Irrigation Board in 1984 as an accountant. She rose through the ranks to her current position of the Deputy General Manager Planning & Strategy.

She has a Bachelor Of Commerce degree from University of Nairobi. She has gathered experience of over the last 30 years. She has attended many courses in financial management.

NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

CHAIRMAN'S STATEMENT

National Irrigation Board has in the current year continued to implement a number of significant projects. The production at the 10,000 acres model farm at Galana Kulalu Food Security Project has continued to expand with the third crop covering 2,500 acres nearing harvesting. The completion of 10,000 acres Model Farm is planned for in 2017/18 FY and work is progressing well.

The institution also focused on finalization of compensation for the Rukenya dam on the Mwea Irrigation Development Project which constitutionally should also be launched in the next financial year. The project will enhance the availability of water to increase the production of rice in Mwea Irrigation Scheme.

The compensation for Rukenya Dam in Mwea is nearing completion and the contractor has been identified for both the dam and irrigation area. On completion, the project will have a significant impact in Mwea by increasing the area under rice crop by approximately 50 percent.

Focus on rehabilitation of projects in Turkana Region is ongoing and this coupled with capacity building for farmers will enhance productivity of the various irrigation projects in the region.

The Lower Sio Irrigation Project, the Lower Kuja Irrigation Project and Bura Gravity Project are at advanced stage of completion and will soon be moving to active production on the first phase of implementation.

NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

REPORT OF THE CHIEF EXECUTIVE OFFICER

The overall goal of the National Irrigation Board is best captured by the mission; “To Provide water for sustainable farming through development, rehabilitation, modernization and promotion of irrigation and drainage for improved livelihoods, food security and economic growth in Kenya” thus bestowing the responsibility of the lead role in irrigation development and management in Kenya. Therefore, NIB is expected to play a leading role in development of 1 million acres under irrigation by as espoused in the 2013-17 medium term plan of Vision 2030. To deliver this target, NIB is implementing the following irrigation development initiatives: -

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

Since 2011 to date, NIB has been implementing numerous irrigation projects across all the 47 Counties under the Expanded National Irrigation Programme (ENIP). During this period, approximately KES 30 billion has been allocated to NIB and financed development of 209 irrigation projects. As a result, the expanded area under irrigation increased by 114,250 acres by the end of the 2015/16 financial year bringing the total area under irrigation to 479,625 acres from 354,775 acres (smallholder and public schemes) in 2011/12. By the end of 2016-17 financial year an additional 4,600 acres were completed bringing the total area to 484,225 acres.

i. Galana Kulalu Food Security Project (GKFSP),

The Government initiated the implementation of the project to enhance food security in the country. The phased implementation of the project comprises of 10,000acre model farm as phase 1, followed by 400,000acre pilot farm as phase II. Phase I is under implementation and entails construction of irrigation infrastructure for 10,000 acres. The components include construction of 2 No. intakes, installation of pipelines, installation of 24 No. centre pivot irrigation systems covering 4,735 acres, installation of drip irrigation systems covering 5,265 acres and production of maize for two seasons. To date, 19 center pivots have been installed covering 3135 acres, pipes for drip irrigation covering 1100 acres installed and construction of the 2 intakes are at an advanced stage while other ancillary structures are at different stages of construction. Under the production component, 4000 acres have been cultivated and planted cumulatively. 250 acres maize has reached maturity and are being harvested while 250 acres are newly planted area. About 60,000 bags of maize has been distributed as relief in the coast region through the State Department for Special Programmes.

NATIONAL IRRIGATION BOARD
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ii. Mwea irrigation development Project

The objective of the project is to improve the reliability of irrigation water and increase area under irrigation and irrigation intensity for Mwea Irrigation scheme financed by JICA and GoK. The component of the project include, construction of the 11MCM Thiba dam, construction of irrigation and drainage facilities in the expansion area (Mutithi section) covering 10,000 acres, procurement works of O&M equipments and resettlement of Project affected Persons (PAP) from the Dam area through community site development. Resettlement has been concluded in the dam site and compensation at the irrigation area is 60% complete. The procurement of contractors has also been concluded and are currently mobilizing.

iii Bura Irrigation Rehabilitation Project

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

The Contractor has achieved 25% physical progress which constitutes excavation of diversion works, silting basin and 20km of the new gravity canal. This poor performance is attributed to myriad of issues key among them being inadequate counterpart funding thus delaying payments to the Contractor, the lack of adequate mobilization of staff and equipment by the Contractor; interference by the local community who demanded for compensation before work starts. The interference has since then been resolved and the Contractor has taken steps to enhance capacity.

- Feasibility studies and detailed designs for 15 no projects covering 746,143 acres
- Construction of 13 no water pans with a combined volume of 1,061,000m³ in arid areas for domestic, animal consumption and irrigation in greenhouses.
- Installation of 650 greenhouses complete with drip kits in various parts of the country to act as pilot model projects on efficient irrigation practice.
- Rehabilitation, expansion and modernization of public irrigation schemes that has seen the irrigation area increase from 23,326.5 acres to 35,326 acres.

NATIONAL IRRIGATION BOARD
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Other projects include Rwabura irrigation development project financed by the Kingdom of Spain to irrigate 1500 acres and Lower Nzoia Irrigation Project Kenya Water Security Project series, KWSCR-1 by the World Bank and KFW that would irrigate 10107.5 acres

iv. Operation and maintenance for public irrigation schemes and provide irrigation management services in other schemes.

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

v. Implementation of Radat, Lowaat, Thuchi and Gogo Dams

By taking a Design, Finance and Build model, NIB has initiated mobilizing for funds for 7 projects namely Radaat Dam in Baringo County, Thuchi Dam in Embu County and Lowaat dam in Turkana County and Gogo Dam in Migori, High grandfall dam in Tharaka Nithi county, Kaiti dams in Makueni, Thiririka and Rwabura dam in Kiambu

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

NATIONAL IRRIGATION BOARD
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CORPORATE GOVERNANCE STATEMENT

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

The institution has a Board membership of 6 independent Directors and eight (8) Directors representing the Government of Kenya. During the year, there were changes in the composition of the independent Directors. The Chairman ceased to hold office with effect 9th January, 2017

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

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

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

- (i) Full Board, Twelve (12) meetings
- (ii) Human Resource and General Purposes Committee, thirteen (13) meetings
- (iii) Research, Planning & Development Committee, ten (10) meetings
- (iv) Finance, three (3) meetings
- (v) Audit Committee, three (3) meetings

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017**

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

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

In the financial year 2016/2017, the Board supported the implementation CSR activities as highlighted below.

The Board planted 500 tree seedlings at Ahero scheme, Karanda secondary school, Kobura primary school and West Kano scheme.

The Board donated 54 pumps and 444 pipes to the community groups in Lango Baya for pumping irrigation water to farms.

The Board held the events as a way of giving back to the community as well as reaching our stakeholders.

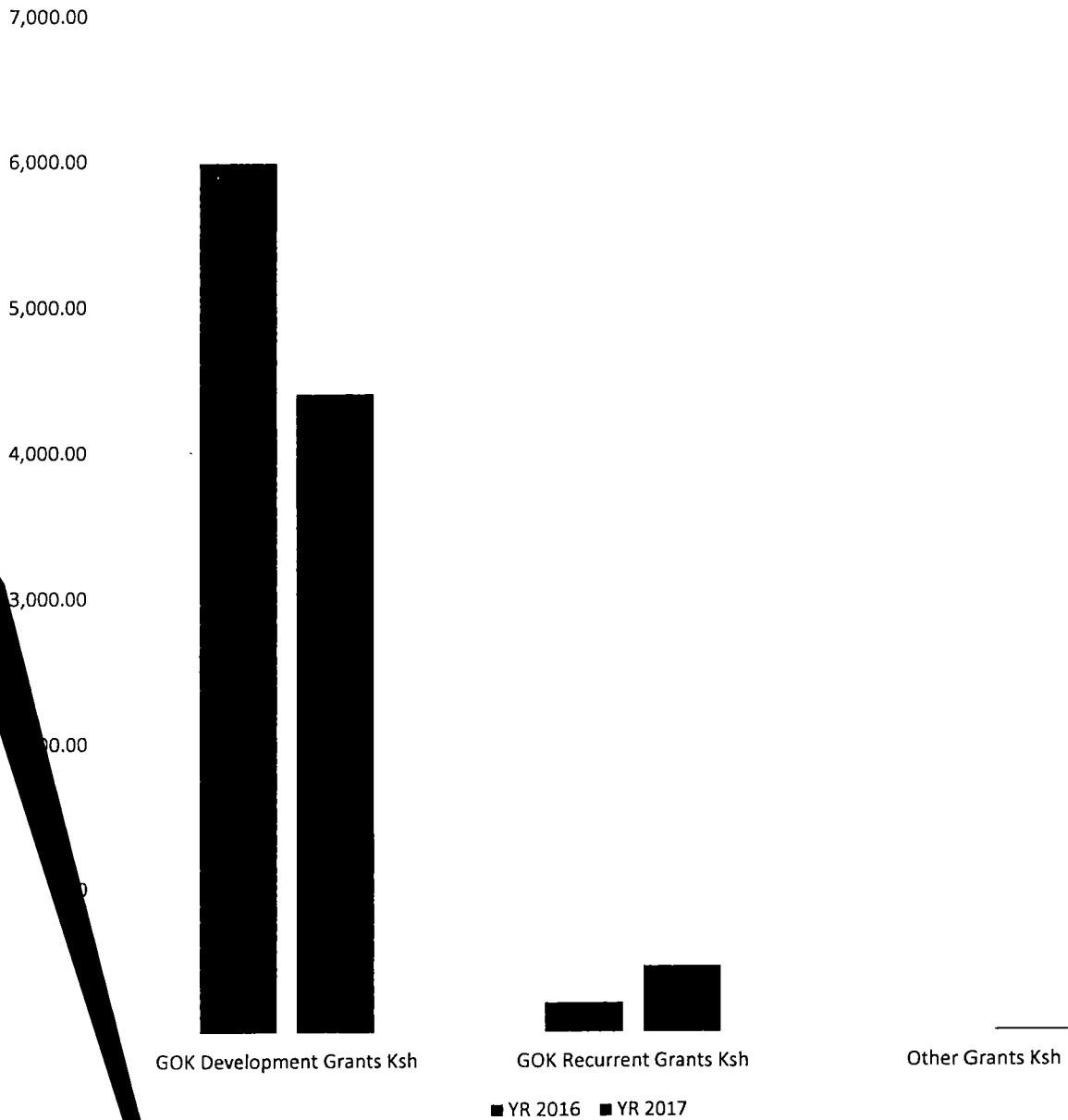
**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017**

MANAGEMENT DISCUSSION AND ANALYSIS

a) Revenue

Chart (i)

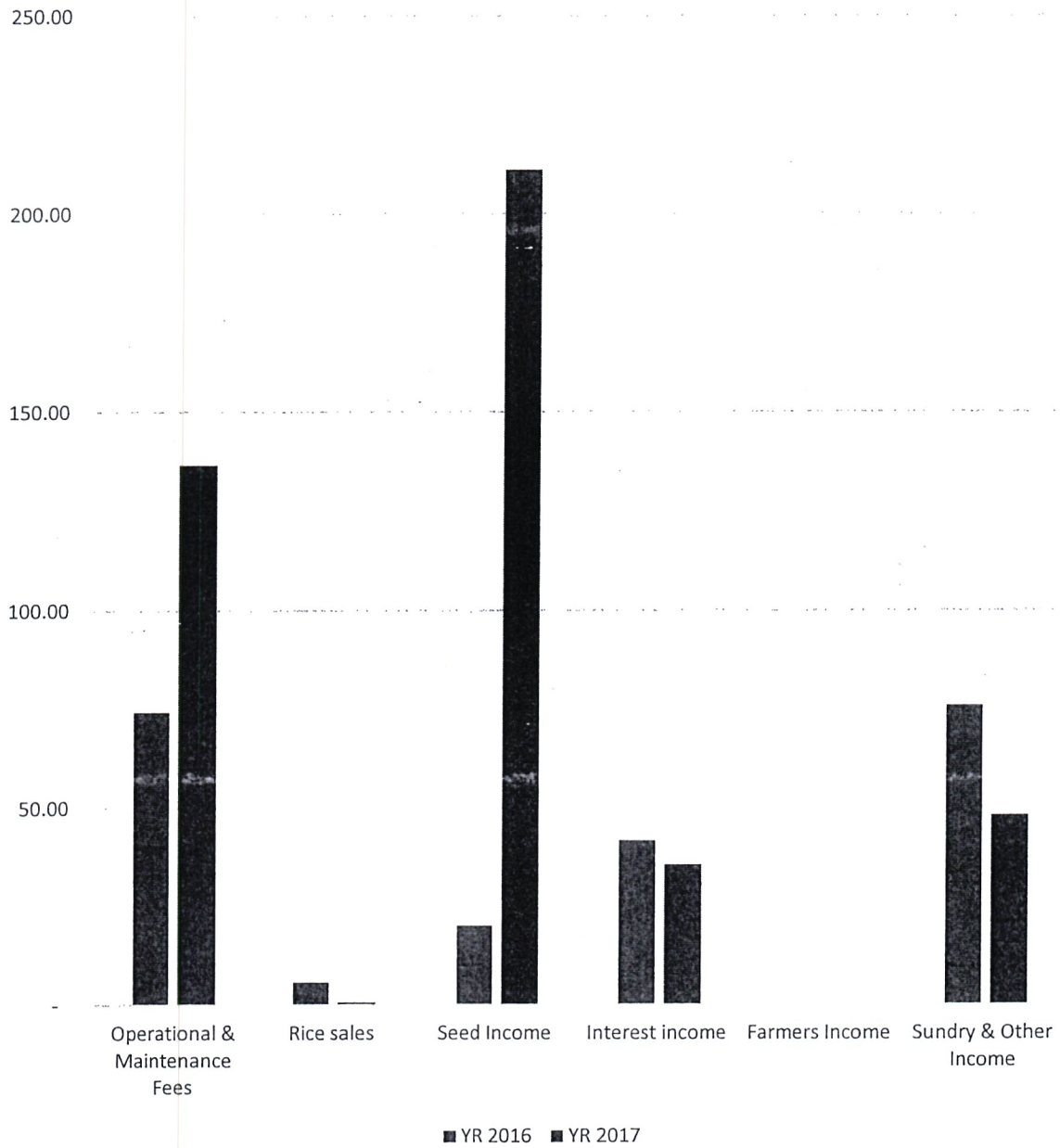
**REVENUE FROM NON EXCHANGE TRANSACTIONS
(Million Ksh)**



NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

Chart (ii)

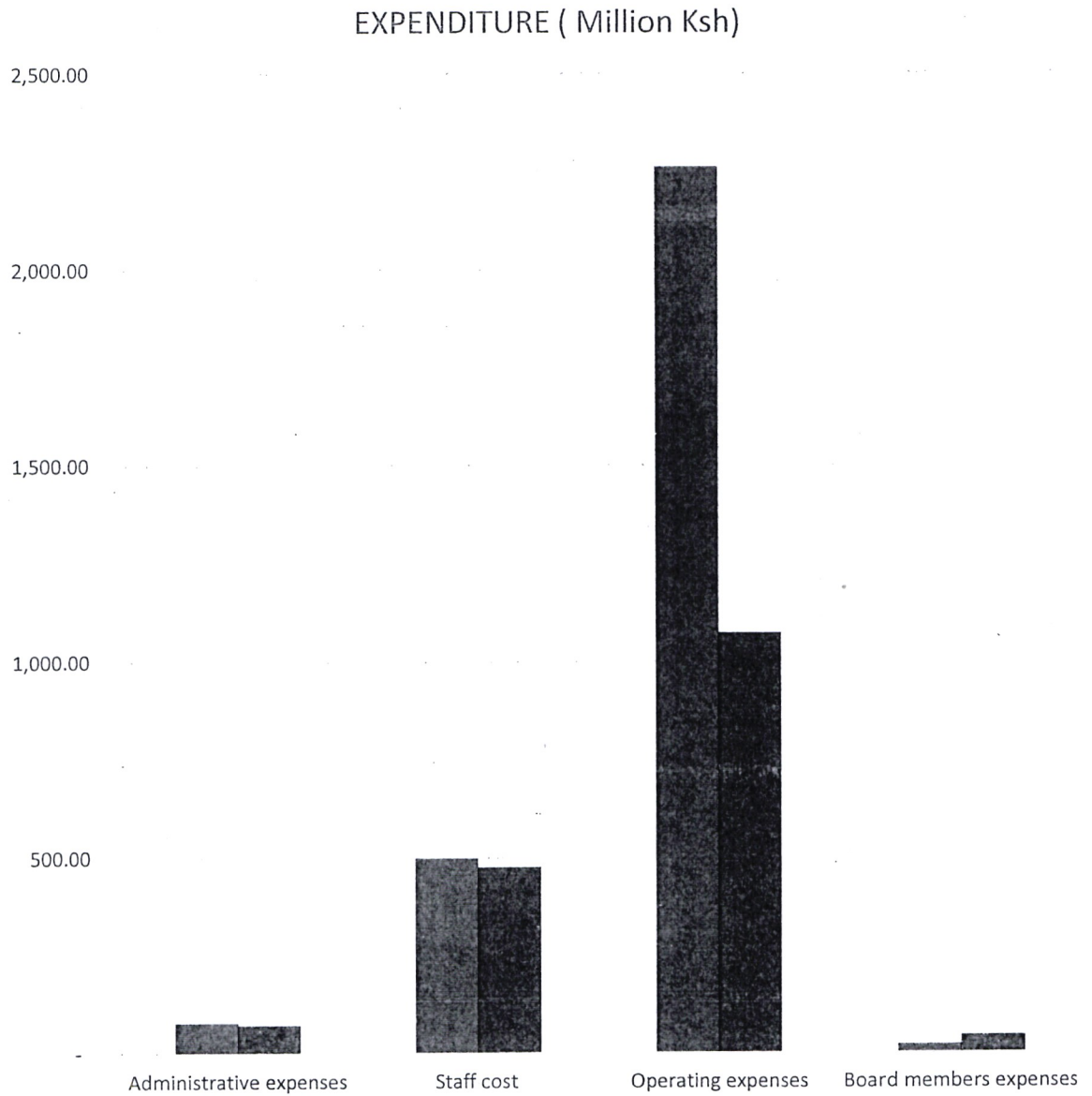
REVENUE FROM EXCHANGE TRANSACTIONS (Million Ksh)



NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

b) Expenses

Chart (iii)



■ ■

NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

Chart (i) above indicate that the grants to the institution decreased from Ksh. 6,202,846,350 to Ksh.4,879,929,99 in the current year under review. This represents 21.33% decrease when compared with the previous year. The decrease was mainly in the development grants as there was a 26.5% decrease in this area .However there was a considerable increase in the recurrent grants though contributing an insignificant figure in the total grants. The decrease was as a result of slowed activities and implementation of government programmes due to the electioneering process hence low disbursement by the government. Further the second main source of revenue is fees from operational and maintenance charges (O & M) charged on a cost sharing basis to farmers for maintenance of the main infrastructure i.e irrigation water conveyance canals and farm roads.

Chart (ii) above demonstrates that the revenue in this category increased from Ksh 74,410,497 in the previous year to Ksh 136,712,125 in the current year under review. This translates to 83.73 % increase from last financial years revenue in this category of revenue. As may be observed from Chart (iii) above show the revenue collected from other non-core sources. The revenue in this category increased from Ksh 143,827,930 to Ksh 295,729,154 in the year under review. The percentage increase in this category of income is 105.6 %. The increase was mainly in the sale of certified rice seed which is grown at our Mwea Irrigation Research Station.

Chart (iii) above demonstrates the changes in the expenditure for the financial year under review as compared to last financial year. From the chart it is observed that the total expenditure decreased by Ksh 1,195,572,657 in the current financial year as compared to last financial year. This represents a decrease of 71.71 %. In the financial year under review, administrative expenses had a very minimal decrease of 8.57%. The decrease was mainly in the expenses related to printing and stationery, subscriptions and periodicals which are mainly newspapers for the office, office tea and beverages, and the general maintenance and repairs. The repairs are mainly to buildings and as indicated earlier there was constrained disbursements therefore less maintenance costs. The reduced activities equally affects other expenses like stationeries. The staff costs dropped by 4.64%

This was mainly due to the reduced activities. National Irrigation Board engages staff on casual basis to assist in the implementation of its programmes and when the activities are low they are laid off. As earlier indicated the decrease in staff cost was due to a decrease in casual wages occasioned by reduced activities due to budget constraint.

Operating expenses for National Irrigation Board comprise the largest share of the institutions expenditure. The institution being in the business of irrigation infrastructure development/construction and maintenance, this is where the main activities are concentrated. With reduced budget and revenues the activities reduce proportionately. As a result of the budget constraint and reduced disbursement, there was reduced activities. This resulted to reduction in the various components of expenditures under the category of operation expenses. Components of operating expenses which recorded significant decrease included advertising, travelling expenses, consultancies, fuels for vehicles and heavy equipment, repairs and maintenance of motor vehicles, machinery and heavy equipment.

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017**

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2017 which show the state of the National Irrigation Board's affairs.

Principal activities

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

Results

The results of the National Irrigation Board for the year ended June 30, 2017 are set out on page 1 to 15.

Directors

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

Auditors

The Auditor General carried out the audit of the National Irrigation Board for the year ended June 30, 2017.

By Order of the Board



Board Secretary

Nairobi

Date: 13-07-2018

NATIONAL IRRIGATION BOARD

STATEMENT OF BOARD'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Irrigation Act cap.347 require the Directors to prepare financial statements in respect of National Irrigation Board, which give a true and fair view of the state of affairs of the National irrigation board at the end of the financial ended 30th June, 2017 and the operating results of National Irrigation Board for the year ended 30th June,2017. The Directors are also required to ensure that National Irrigation Board keeps proper accounting records which disclose with reasonable accuracy the financial position of National irrigation Board. The Directors are also responsible for safeguarding the assets of National Irrigation Board

The Directors are responsible for the preparation and presentation of National Irrigation Board financial statements, which give a true and fair view of the state of affairs of National irrigation board for and as at the end of the financial year ended 30th June , 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of National irrigation board; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of National irrigation board; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for National irrigation board's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Irrigation Act cap.347 . The Directors are of the opinion that National irrigation board's financial statements give a true and fair view of the state of National Irrigation Board's transactions during the financial year ended June 30, 2017, and of National irrigation board's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for National irrigation board, which have been relied upon in the preparation of National irrigation board's financial statements as well as the adequacy of the systems of internal financial control.

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

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3.2. Suspense Account-Sundry Debtors

Also included in the other debtors' balance of Kshs.230,882,623 is an amount of Kshs.34,280,229 which does not relate to any specific debtor but instead classified as other trade debtors (Kshs.11,098,612), sundry debtors (Kshs.23,142,118) and other debtor (Kshs.39,500) which has been outstanding but the Board has not reconciled or explained the suspense amount.

3.2.1.0 Inter Company Transactions

3.2.1.1 Mwea Rice Mills Ltd

Included in other debtor's balance of Kshs.230,882,623 as at 30 June 2017, is a balance of Kshs.67,737,278 being balance owing from Mwea Rice Mills Limited. In the books of Mwea Rice Mills Limited the same balance is reflected as Kshs.40,410,431 resulting in an unexplained difference of Kshs.27,326,847.

3.2.1.2 Western Kenya Rice Mills Ltd

Similarly, included in the debtors' balance is an amount of Kshs.73,457,601 being a balance due from Western Kenya rice Mills Ltd. In the books of the company, the same balance is given as Kshs.26,426,152 resulting in an unexplained and unreconciled balance of Kshs.47,031,449. In view of the foregoing, it has not been possible to confirm the accuracy and recoverability of the receivables from exchange transactions balance of Kshs.123,557,624 as at 30 June 2017.

4. Current Liabilities

4.1 Outstanding Kenya Revenue Authority Dues

As previously reported, included in the payables from exchange transactions balance of Kshs.3,560,750,127 as at 30 June 2017 is a balance of Kshs.973,391,569.29 due to Kenya Revenue Authority which has been outstanding over a long period. This amount has risen considerably by 36% as compared to the previous year amount of Kshs.623,242,634. Further, interest and penalties on the outstanding balance have not been recognized in the Board's books of account thus understating the balance reported by accrued interest/levies which Kenya Revenue Authority may impose.

Management has not explained how it intends to settle the balance.

4.2 Long Outstanding Trade Payables

Included in current liabilities-payables from exchange transactions balance of Kshs.3,560,750,127 as at 30 June 2017 is an amount totaling Kshs.407,257,813 due to various contractors, consultants and other trade payables which has remained outstanding for more than one year without supporting documents. The audit could not establish why the Board has not prioritized the settlement of those outstanding amount and the criteria it uses to settle debts.

Consequently, the accuracy and completeness of the trade payables account balance of Kshs.407,257,813 could not be ascertained as at 30 June 2017.

4.3 Retention Money

Included in the balance for current liabilities trade payables is an amount of Kshs.392,448,788 referred to as retention money. However, the analysis provided for the retention account and reconciliation statement of the account which is held at Co-operative Bank Account No.01136128012902 as at June 2017, both reflects a balance of Kshs.109,528,989 resulting in an unexplained and unreconciled difference of Kshs.282,919,799.

4.4 Water Resources Management Authority (WARMA)

Included in the statement of financial position is payables from exchange transactions balance of Kshs.3,560,750,127 as at 30 June 2017 comprising of various outstanding balances. Included in trade payables amount is Kshs.20,981,308 indicated as owing to Water Resources Management Authority. However, upon verification from WARMA books, the amount indicated as receivable from the Board is Kshs.26,820,104 resulting in an unexplained variance of Kshs.5,838,796.

In view of the foregoing, it has not been possible to confirm the accuracy, completeness and validity of the Current liabilities (payables from exchange transactions) of Kshs.3,560,750,127 as at 30 June 2017.

5. Under-utilization of leased land at Galana Kulalu Food Security Project

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

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

Financial Year	Amount(Kshs)
2013-2014	50,000,000
2014-2015	70,000,000
2015-2016	30,000,000
<u>TOTAL</u>	<u>150,000,000</u>

In consequence, it has not been possible to establish why the Board leased 20,000 acres and only utilized 10,000 acres but making lease payments for 20,000 acres resulting to an apparent loss of Kshs.75,000,000 as at 30 June 2017.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Irrigation Board in accordance with

ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

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

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

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

Substantial completion certificate of phase II was issued of Kshs.25,879,739. The remaining items which include the following were to be done during the defects liability period;

SNAG LIST

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

The audit could not establish if the contractor would be in a position to finish the above outstanding works as at end of the defects liability period although a payment of Kshs.32,017,134 was made to the contractor in the year under review.

As a result, it has not been possible to establish the accuracy and value for money for the payment of Kshs.32,017,134 as at 30 June 2017.

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

- i. **Failure to carryout geotechnical investigation**

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

ii. Delay in completion of the project

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

iii. Pricing risk

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are considered of significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion, Emphasis of Matter and Other Matter sections of my report, I have determined that there are no other Key Audit Matters to communicate in my report.

Other Matter

1. Bank Loan for Galana Kulalu Food Security Project

As previously reported, the Board took a bank loan of US \$ 71,408,014 (Kshs.7,283,617,428) from the Bank of Leumi Isreal for the construction works for 10,000 acres' model farm for the Galana Kulalu Food Security Project. However, most of the loan terms are not to the best interest of the Kenyan tax payers. The loan interest will be determined from time to time by the bank depending on the prevailing economic conditions (Clause 6). The borrower will pay any additional costs the bank will incur while mobilizing the funds for loan disbursement (Clause 7). The Board confirms the Bank's books and account entries in relation to this loan to be correct and binding to the Board (Clause 24). The borrower will not be entitled to contest any payment made by the Bank and may not justify its failure to fulfil its payment obligation in accordance with the terms and conditions of the agreement. Therefore, the conditions, of this loan are in favor of the Bank and not the Board. Also the repayment of the loan principal and interest are not clearly defined in the loan agreement.

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

2. Delay in completion of the following projects

2.1 Galana/Kulalu Food Security Project Kshs.14,545,106,963

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

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

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

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

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

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

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

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

2.2 Kalundu Kitui clusters Irrigation Scheme Development Project, Phase II, Kitui County

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

The contract No. NIB/T/106/2013-2014 awarded to Aventure Ltd at an amount of Kshs.16,982,900 and notification for the award dated 18 December,2014 was to take twelve (12) months that is from 1 March,2015 to 1 March, 2016. However, the contract was signed on 10 February, 2015 and the Board modified the completion date from 1 March, 2016 to 30 September,2016.The contractor Aventure Ltd was to take twelve (12) months but has taken over thirty six (36) months without the project being completed.

A default notification letter dated 30 June, 2017 was written by the Deputy General Manager(ES) Ref: NIB/HQ/K1/74A (33) bringing to the attention of the Contractor on the

following issues; On failure to secure an extension of the contract period which ended on 30 September 2016; Failure to extend the performance bond which is not valid since 26 July,2015; Failure to resume work on site despite numerous reminders by the Resident Engineer.

The delay by the contractor to complete the projected slated to take one year but delayed for another two years puts into question the competence of the contractor

In consequence, the Board has not achieved its operational and strategic objectives for the year under review.

3. Budgetary Controls Over-Expenditure

Audit examination of the budget verses actual revealed that the Board in the year under review had overshot her budget for repairs and maintenance by Kshs.21,967,163. No reason

has been provided for failure to spend within the approved budget nor formalizing the over expenditure through supplementary budget as required.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Public Sector Accounting Standards (Accrual Basis) and for such 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.

In preparing the financial statements, management is responsible for assessing the corporation's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Board or 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.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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

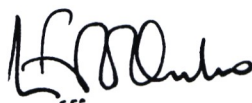
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Board's 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 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 Board's ability to continue as a going concern or 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 Board to cease to continue as a going concern or sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide the 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

28 September 2018

NATIONAL IRRIGATION BOARD
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR 30TH JUNE 2017

REVENUE FROM NON EXCHANGE TRANSACTIONS	NOTE	2017 KSH	2016 KSH
Government Grants	2	4,879,929,999	6,202,846,350
REVENUE FROM EXCHANGE TRANSACTIONS			
Income	3	136,712,125	74,410,497
Other Operational Income	4	295,729,154	143,827,930
TOTAL INCOME		5,312,371,278	6,421,084,777
EXPENDITURE FROM EXCHANGE TRANSACTIONS			
Administrative Expenses	5	72,549,448.91	79,402,385
Staff Cost	6	477,007,540.97	499,497,813
Operating Expenses	7	1,073,624,743.98	2,261,283,553
Board Members Expenses	8	45,185,478.22	22,650,506
TOTAL EXPENDITURE		1,668,367,212	2,862,834,257
Surplus/(Deficit) for the year		3,644,004,066	3,558,250,520

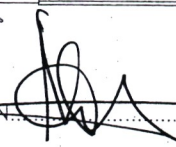
NATIONAL IRRIGATION BOARD
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2017

ASSETS	NOTES	2017 KSH	2016 KSH
NON CURRENT ASSETS			
Property Plant and Equipment	9	5,210,433,820.41	5,266,868,732
Intangible Assets ICT	10	10,771,533.60	27,682,502
Work in Progress	11	18,451,085,625.20	15,014,397,659
Longterm Investments	12	27,950,000.00	27,950,000
Investment Mortgage	13	186,378,361.55	178,183,352
Total non- current Assets		23,886,619,341	20,515,082,245
CURRENT ASSETS			
Inventories	14	108,044,233	138,140,315
Receivables from Exchange Transactions cash and Cash Equivalent	15 16	123,557,624 1,388,540,391	11,274,595 2,023,750,552
Total current assets		1,620,142,248	2,173,165,462
TOTAL ASSETS		25,506,761,589	22,688,247,707
EQUITY AND LIABILITIES			
EQUITY			
Retained Earnings	17	16,282,172,344.06	14,606,538,943
Development Fund	18	11,695,220	11,695,220
Capital Fund	19	694,921,649	694,921,649
JICA Fund	20	1,993,471,957	1,541,594,513
BADEA Grant	21	610,743,825	561,601,248
KUWAIT Fund	22	497,530,564	394,554,800
OFID Fund	23	125,760,463	88,918,104
Double Crop Grant	24	27,707,439	27,707,439
Bank of Leumi Israel	25	1,702,008,002	561,786,432
TOTAL EQUITY		21,946,011,462	18,489,318,349
NON CURRENT LIABILITIES			
Tenants Housing Loan	26	0	298,686
TOTAL NON CURRENT LIABILITIES		0	298,686
CURRENT LIABILITIES			
Payables From Exchange Transactions	27	3,560,750,127	4,198,630,672
TOTAL CURRENT LIABILITIES		3,560,750,127	4,198,630,672
TOTAL EQUITY & LIABILITIES		25,506,761,589	22,688,247,707

SIGN: 

CPA. JOSEPH KIGOTHO
NO.17161

DATE: 13/7/2018

SIGN: 

GITONGA MUGAMBI
GENERAL MANAGER

DATE: 13-07-2018

SIGN: 

MR. MUDZO K. NZILI
CHAIRMAN

DATE: 13/07/2018

NATIONAL IRRIGATION BOARD

STATEMENT OF CHANGES IN NET ASSETS AS AT 30-06-2017

DESCRIPTION	RESERVES	DEVELOPMENT FUND	CAPITAL FUND	JICA GRANT	BADEA GRANT	KUWAIT GRANT	OFID GRANT	LOAN CAPITAL	BANK OF LIUMI ISRAEL	TOTAL
As At 1st July 2015	11,048,288,423	11,695,220	694,921,649	773,472,139	513,850,205	314,765,322	60,469,076	27,707,439		13,445,169,472
Addition During the Year	3,558,250,520			768,122,374	47,751,044	79,789,478	28,449,029		561,786,432	5,044,148,876
As At 30th June 2016	14,606,538,943	11,695,220	694,921,649	1,541,594,513	561,601,248	394,554,800	88,918,104	27,707,439	561,786,432	18,489,318,349
As At 1st July 2016	14,606,538,942.66	11,695,220	694,921,649	1,541,594,513	561,601,248	394,554,800	88,918,104	27,707,439	561,786,432	18,489,318,349
Addition During the Year	3,644,004,065.56			451,877,444	49,142,577	102,975,763	36,842,358		1,140,221,570	5,425,063,778
Tenants housing loan write back	298,686									298,686
Work in progress write off	1,968,669,350.16									(1,968,669,350)
As At 30th June 2017	16,282,172,344	11,695,220	694,921,649	1,993,471,957	610,743,825	497,530,564	125,760,463	27,707,439	1,702,008,002	21,946,011,462

Note:

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

NATIONAL IRRIGATION BOARD
STATEMENT OF CASHFLOWS
FOR THE YEAR 30TH JUNE 2017

STATEMENT OF CASHFLOWS

Surplus

Adjustments of items not involving movement of Funds

Depreciation

Loss on disposal of Assets

Retained Earnings Adjustments

Work in progress write off

Adjustments of WARMA payables Account

Tenants housing loan write back

Stale cheques written back

Transfer from WIP to Buildings

Operating Profit before working capital changes

Increase in Assets

Working Capital Changes

Increase/Decrease in Inventories

Increase/(Decrease) in Receivables from exchange transactions

Increase/Decrease in Payables from exchange transactions

Net Cash flows from operating Activities

Investing Activities

Net change on Fixed Assets Total

Purchase of Fixed Assets

Work In Progress additions

Mortgage

Net cash used in investing activities

Financing Activities

JICA Grants

Badea Grant

Kuwait Fund

OFID

Bank of Liuni Israel

Net cashflows from financing activities

Net Increase/(Decrease) in Cash

Cash & Cash Equivalent at the beginning of the Year

Cash & Cash Equivalent at the end of the year

NOTES	2017 KSH	2016 KSH
	3,644,004,066	3,558,250,520
9&10	116,941,190	139,244,338
	324,153	508,530
17	(1,968,370,664)	(6,564,404,315)
11	1,979,612,467	6,784,393,054
	(298,686)	55,000,000
	34,798,682	
	7,164,475	7,689,527
	3,814,175,683	3,980,681,654
14	30,096,082	13,650,218
15	(112,283,029)	34,837,405
27	(637,880,545)	460,738,698
	3,094,108,191	4,489,907,976
9	(43,919,463)	(631,772,231)
11	(5,458,263,591)	(4,868,872,921)
13	(8,195,010)	(9,226,739)
	(5,510,378,064)	(5,509,871,891)
20	451,877,444	768,122,374
21	49,142,577	47,751,044
22	102,975,763	79,789,478
23	36,842,358	28,449,029
25	1,140,221,570	561,786,432
	1,781,059,712	1,485,898,357
	(635,210,161)	465,934,441
16	2,023,750,552	1,557,816,111
16	1,388,540,391	2,023,750,552

NATIONAL IRRIGATION BOARD
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
2016-2017

REVENUE	Original Budget-Recurrent	Adjustment	Final Budget	Actual on Comparable Basis	Performance Difference	% Variance
Development Grants	14,407,900,000.00	10,707,900,000.00	3,700,000,000.00	4,402,499,999.00	702,499,999.00	4.88
Recurrent Grants	1,145,093,726.00	837,193,126.00	307,900,600.00	462,800,000.00	154,899,400.00	13.53
Other grants	-	-	-	14,630,000.00	14,630,000.00	100.00
Donor Funds	5,491,000,000.00	1,236,000,000.00	6,727,000,000.00	1,781,059,714.00	4,945,940,286.00	90.07
Operation and Maintenance	151,547,000.00	18,630,000.00	132,917,000.00	136,712,125.00	3,795,125.00	2.50
Rice Sales	750,000.00	50,000.00	700,000.00	748,180.00	48,180.00	6.42
Seed Income	254,751,560.00	68,235,560.00	186,516,000.00	211,105,402.35	24,589,402.35	9.65
Other Income	37,177,653.00	31,822,347.00	69,000,000.00	72,033,134.92	3,033,134.92	8.16
Sundry Income	11,837,000.00	970,000.00	10,867,000.00	11,842,436.32	975,436.32	8.24
Total Income	21,500,056,939.00	10,365,156,339.00	11,134,900,600.00	7,093,430,991.59	4,041,469,608.41	
EXPENSES						
Printing & Stationery	13,079,640.00	5,079,640.00	8,000,000.00	7,886,097.41	113,902.59	1.42
Rent & Rates	5,000,000.00	4,200,000.00	800,000.00	766,048.00	33,952.00	4.24
Subscription & Periodicals	4,100,000.00	1,900,000.00	2,200,000.00	2,290,495.95	90,495.95	4.11
Office tea, Beverages & Consumables	12,000,000.00	-	12,000,000.00	11,843,091.86	156,908.14	1.31
Utility Bills	69,466,700.00	39,466,700.00	30,000,000.00	29,862,357.33	137,642.67	0.46
Audit fees	3,720,000.00	1,020,000.00	2,700,000.00	2,648,929.00	51,071.00	1.89
Insurance	46,393,000.00	31,393,000.00	15,000,000.00	14,791,248.78	208,751.22	1.39
General Repairs & Maintenance	704,126.00	304,126.00	400,000.00	385,736.00	14,264.00	3.57
Parking charges	10,000.00	-	10,000.00	9,450.00	550.00	5.50
Bicycle Expense	150,000.00	-	150,000.00	146,400.00	3,600.00	2.40
Bank charges	2,982,574.00	982,574.00	2,000,000.00	1,919,594.58	80,405.42	4.02
Salaries & Wages	363,176,131.00	5,309,693.00	357,866,438.00	341,370,932.11	16,495,505.89	4.61
Casual wages	100,000,000.00	-	100,000,000.00	90,914,920.91	9,085,079.09	9.09
Staff Training	13,000,000.00	-	13,000,000.00	12,514,813.76	485,186.24	3.73
Medical Expenses	30,386,112.00	386,112.00	30,000,000.00	29,790,052.74	209,947.26	0.70
Staff Uniforms	1,200,000.00	800,000.00	400,000.00	402,147.00	2,147.00	0.54
Staff Welfare	2,200,000.00	200,000.00	2,000,000.00	2,014,674.45	14,674.45	0.73
Advertising	9,019,640.00	519,640.00	8,500,000.00	8,352,747.63	147,252.37	1.73
Travelling Meals & Accommodation	121,745,990.00	13,254,010.00	135,000,000.00	125,396,449.16	9,603,550.84	7.11
Guest House Expenses	26,215,476.00	21,215,476.00	5,000,000.00	4,902,524.80	97,475.20	1.95
Licence Charges	25,000,000.00	-	25,000,000.00	24,432,431.60	567,568.40	2.27
Consultancy	70,000,000.00	5,000,000.00	75,000,000.00	68,812,155.75	6,187,844.25	8.25
Fuel Expenses	70,000,000.00	15,000,000.00	85,000,000.00	80,595,091.65	4,404,908.35	5.18
Agricultural Expenses	75,435,980.00	435,980.00	75,000,000.00	69,377,455.23	5,622,544.77	7.50
Repairs and Maintenance Expenses	413,688,570.00	86,311,430.00	500,000,000.00	521,988,143.16	21,988,143.16	4.40
Hire of Equipment	9,000,000.00	-	9,000,000.00	8,896,810.00	103,190.00	1.15
Legal Charges	42,483,000.00	18,483,000.00	24,000,000.00	23,359,805.00	640,195.00	2.67
Other Expenses	21,000,000.00	-	21,000,000.00	20,569,939.70	430,060.30	2.05
Board members expenses	50,000,000.00	-	50,000,000.00	45,185,478.00	4,814,522.00	9.63
Total recurrent expenditure	1,601,156,939.00	12,130,501.00	1,589,026,438.00	1,551,426,021.56	37,600,416.44	2.37
CAPITAL EXPENDITURE						
Galana Kililau food security project	3,485,000,000.00	270,000,000.00	3,215,000,000.00	1,597,068,996.75	1,617,931,003.25	50.32
Mwea Irrigation development project	3,350,000,000.00	24,000,000.00	3,374,000,000.00	1,107,542,294.00	2,266,457,706.00	67.17
Rwabura Irrigation project	376,000,000.00	346,000,000.00	30,000,000.00	7,404,944.13	22,595,055.87	75.32
Bura Irrigation Scheme	1,715,000,000.00	63,000,000.00	1,778,000,000.00	794,070,616.00	983,929,384.00	55.34
National Expanded Irrigation Program	10,107,900,000.00	9,004,025,838.00	1,103,874,162.00	603,458,264.96	500,415,897.04	45.33
Purchase of fixed assets	865,000,000.00	820,000,000.00	45,000,000.00	43,919,463.00	1,080,537.00	2.40
Total Development expenditure	19,898,900,000.00	10,353,025,838.00	9,545,874,162.00	4,153,464,578.84	5,392,409,583.16	
TOTAL EXPENDITURE	21,500,056,939.00	10,365,156,339.00	11,134,900,600.00	5,704,890,600.40	5,430,009,999.60	
SURPLUS FOR THE PERIOD				1,388,540,391.19		

Budget Notes

1. The original budget was presented to the Ministry in January 2016. After the printed estimates were issued, National Irrigation Board was allocated a budget of Ksh 3,700,000,000 Gok and Ksh 6,727,000,000. The recurrent budget was Ksh 400,000,000 A-in-A and Ksh 307,900,600 Gok.
2. The Adjustment was necessary to recognize the printed estimates budget allocation thus leading to the final budget figures.
3. The difference of Ksh 154,900,000 for recurrent grants relate to 2015-16 grants received in July 2016.
4. The short fall in donor funding was as a result of delays in commencement of Triba dam construction due to succession court cases which had not been resolved to allow conclusion of compensation.
5. The other grants of Ksh 14,630,000 were grants disbursed to NIB from the Ministry of Water and Irrigation to cater for recurrent expenditures under the World Bank Water and Climate Change resilience program in Lower Nzoia.
6. The under expenditure in Mwea Irrigation Development Project by 67.17% under capital expenditure was as a result of the succession cases mentioned above which delayed construction of Thiba dam hence under absorption of donor funds leading to low expenditure under this item.
7. Under expenditure for Bura Irrigation Scheme by 55.34 % was as a result of delays by the contractor in implementation of the Bura Irrigation gravity. It was further caused by the low budget allocation by the National Treasury which has a direct implication in the donor funds because the donor pays 30% and Gok 70%
8. Under expenditure for Galana Kulalu Irrigation Project by 50.32 % was as a result of low pace of implementation by the contractor.
9. Under expenditure for Rwambura Irrigation Project by 75.32 % was as a result of delays in finalization of financing agreement.
10. The low expenditure under National Expanded Irrigation program by 45.19% was due to slow pace of implementation by the various contractors

NATIONAL IRRIGATION BOARD

NOTES TO THE FINANCIAL STATEMENTS 2016-2017

1. GENERAL INFORMATION

IPSAS 3

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

3. ADOPTION OF NEW AND REVISED STANDARDS

- i) National Irrigation Board adopted IPSAS in the year ended 30 June 2014 and therefore provision for first time adoption is not applicable.
- ii) National Irrigation Board did not early adopt any new or amended standard in year 2017

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) **Property Plant and Equipment**

IPSAS17

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

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

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

b) **Intangible assets**

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

The useful life of the intangible assets is assessed as either finite or indefinite.

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

c) **Inventories**

IPSAS12

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

d) **Cash and cash equivalents**

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

e) **Government grants**

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

f) **Interest on loans**

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

g) **Taxation**

The National Irrigation Board is exempted from Kenya Income Tax.

i) **Investments**

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

j) **Receivables**

Trade and other receivables are recognized at fair value less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Full provision for bad and doubtful debts is done for all debts that are over two years as we wait for approval for write off by the national Treasury.

k) **Payables**

Trade and other payables are non-interest bearing and are carried at amortized cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to National Irrigation Board or not, less any payments made to the supplier.

The Board write back all credit balances which have been outstanding for over seven years without demand notices from creditors/(suppliers).

l) **Donor Funding**

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

Donor Revenue

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

Donor A-in-A

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

m) **Revenue recognition**

IPSAS 9

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

Transfers from the Government

Revenues from non-exchange transactions with Government are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

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

ii) **Revenue from exchange transactions**

Rendering of services

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

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

Sale of goods

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

Interest income

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

n) **Investment mortgage**

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

o) **Investment in Fixed Deposit**

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

p) **Related Party Transactions**

Except as disclosed in financial statements, no transactions involving management and others requiring disclosure in the financial statements have been entered into. The identity of and balances and transactions with related parties have been properly recorded and when appropriate, adequately disclosed in the financial statements. The board has not engaged other related parties

q) **Contingent Liabilities**

The entity does not recognise contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. There were no contingent liabilities affecting National Irrigation Board within the year

r) **Subsequent Events**

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

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

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

t) **Financial Risk Management Objectives and Policies**

Market Risk

Market risk is the risk that the fair value of financial instruments will fluctuate because of changes in the market such as price fluctuations and changes in exchange rate
However, the organization was not exposed to this risk during the year under audit.

Credit Risk

Credit risk is the risk that a customer will not meet his/her financial instrument or customer contract, leading to a financial loss. The organization was not exposed to this risk during the year under audit.
However all historical doubtful debts have been provided for in the financial statements.

Liquidity Risk

Liquidity risk is the risk that the organization will not be able to meet its financial obligations when they fall due. The company limits this risk by conservative use of loan capital. The organization was not exposed to this risk during the year under audit. Though payables seem to be high we are expecting funding from the government to settle the same.

u) **Budget Information**

The annual budget is prepared on the accrual basis i.e all planned costs and income are presented in a single statement to determine the needs of the organization. As a result there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and amounts presented as separate additional financial statement in the statement of comparison of budget and actual amounts. The budget figures are those approved by The National Treasury at the beginning and during the year as presented in the printed estimates for 2016-17

IPSAS 24

v) **Operating Risk**

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

w) **Related parties**

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

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

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

2. GOVERNMENT GRANTS	2017 KSHS	2016 KSHS	IPSAS 1
Development	4,402,499,999	5,991,000,000	
Recurrent	462,800,000	211,846,350	
Other grants	14,630,000		
Total	<u>4,879,929,999</u>	<u>6,202,846,350</u>	

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

3. INCOME	2017 KSHS	2016 KSHS	IPSAS 9
Operation and Maintenance	136,712,125	74,410,497	
Total	<u>136,712,125</u>	<u>74,410,497</u>	

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

4. OTHER OPERATIONAL INCOME	2017 KSHS	2016 KSHS	IPSAS 9
A Rice Sales	748,180.00	5,895,740	
B Seed Income	211,105,402.35	20,195,410	
C Interest Income	35,646,463.02	41,760,054	
D Farmers Income	16,800.00	10,280	
E Other Income	36,369,871.90	59,126,673	
F Sundry Income	11,842,436.32	16,839,773	
Total	<u>295,729,154</u>	<u>143,827,930</u>	

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

5. ADMINISTRATIVE EXPENSES

	2017	2016
	KSHS	KSHS
A Printing & Stationery	7,886,097.41	8,793,748
B Rent & Rates	766,048.00	483,470
C Subscription & Periodicals	2,290,495.95	2,620,578
D Office tea, Beverages & Consumables	11,843,091.86	12,818,469
E Utility Bills	29,862,357.33	33,076,989
F Audit fees	2,648,929.00	4,338,400
G Insurance	14,791,248.78	13,061,077
H General Repairs & Maintenance	385,736.00	2,529,293
I Parking charges	9,450.00	382,194
J Bicycle Expense	146,400.00	109,300
K Bank charges	1,919,594.58	1,188,866
Total	<u>72,549,449</u>	<u>79,402,385</u>

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

6. STAFF COST

	2017	2016
	KSHS	KSHS
A Salaries & Wages	432,285,853.02	444,932,354
B Staff Training	12,514,813.76	23,495,387
C Medical Expenses	29,790,052.74	28,294,632
D Staff Uniforms	402,147.00	2,242,529
E Staff Welfare	2,014,674.45	532,911
Total	<u>477,007,541</u>	<u>499,497,813</u>

IPSAS 1

These are expenditures related to staff as tabulated above.

7. OPERATING EXPENSES

	2017	2016
	KSHS	KSHS
A Advertising	8,352,747.63	12,296,445
B Travelling Meals & Accommodation	125,396,449.16	189,467,244
C Guest House Expenses	4,902,524.80	5,502,865
D Licence Charges	24,432,431.60	49,866,034
E Consultancy	68,812,155.75	278,946,384
F Fuel Expenses	80,595,091.65	125,479,177
G Agricultural Expenses	69,377,455.23	471,949,535
H Repairs and Maintenance Expenses	521,988,143.16	799,948,775
I Depreciation Expense	116,941,190.30	139,244,338
J Hire of Equipment	8,896,810.00	148,383,157
K Legal Charges	23,359,805.00	6,018,941
L Other Expenses	20,569,939.70	34,180,657
Total	<u>1,073,624,744</u>	<u>2,261,283,553</u>

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

8. BOARD EXPENSES

	2017	2016
	KSHS	KSHS
A Board Sitting Allowance	15,802,600.00	9,660,000
B Board Mileage Allowance	8,058,785.24	2,350,357
C Board Accomodation Allowance	16,230,100.00	9,149,000
D Board Lunch Allowance	1,488,660.00	531,149
E Board Travel By Air Expense	1,462,413.98	
F Board Travel By Road Expense	486,765.00	
G Board Training Expense	556,800.00	
H Chairman's Honoraria	1,099,354.00	960,000
TOTAL	<u>45,185,478</u>	<u>22,650,506</u>

These are allowances for Board members as they discharge their duties

Notes to Financial Statements for National Irrigation Board 2016-17

NATIONAL IRRIGATION BOARD

NOTE 9 FIXED ASSETS MOVEMENT SCHEDULE AS AT 30 JUNE 2017 IPSAS 17

	Irrigation Works & Sewerage	Freehold Land	Buildings	Plant Machinery	Computer	Furniture & Equipment	Tractors & Motor Vehicles	Total
COST 1st July 2015	3,410,053,599	814,437,547	111,181,907	586,138,263	64,719,934	70,209,806	951,646,766	6,008,387,822
Additions	207,635,776	375,148,516	7,689,527	8,808,006	10,554,823	2,432,465	6,693,131	618,962,244
Disposals	-	-	-	-	-	-	(17,295,680)	(17,295,680)
Revaluation	-	-	-	-	-	-	-	-
30th June 2016	3,617,689,375	1,189,586,063	118,871,434	594,946,269	75,274,757	72,642,271	941,044,217	6,610,054,386
DEPRECIATION:								
1st July 2015	13,747,734	-	48,635,567	328,755,961	43,432,578	45,986,539	777,357,380	1,257,915,759
Charge	-	-	1,374,445	29,911,670	16,091,070	3,097,932	51,581,929	102,057,046
Revaluation	-	-	-	-	-	-	(16,787,150)	(16,787,150)
Disposal	-	-	-	-	-	-	-	-
30th June 2016	13,747,734	-	50,010,012	358,667,631	59,523,648	49,084,471	812,152,159	1,343,185,655
N.B.V 30th June 2016	3,603,941,641	1,189,586,063	68,861,422	236,278,638	15,751,109	23,557,800	128,892,058	5,266,868,732
COST 1st July 2016	3,617,689,375	1,189,586,063	118,871,434	594,946,269	72,510,032	75,406,996	941,044,217	6,610,054,386
Additions	10,107,871	-	10,968,679	15,778,311	2,515,822	558,780	(10,218,970)	39,929,463
Disposals	-	-	-	-	-	-	-	(10,218,970)
Revaluation	-	-	-	-	-	-	-	-
30th June 2017	3,627,797,246	1,189,586,063	129,840,113	610,724,580	75,025,854	75,965,776	930,825,247	6,639,764,880
DEPRECIATION:								
1st July 2016	13,747,734	-	50,010,012	358,667,631	56,370,618	52,237,502	812,152,159	1,343,185,655
Charge	-	-	1,525,971	30,593,967	8,862,598	3,859,989	51,197,697	96,040,222
Adjustment	(13,747,734)	-	-	13,747,734	-	-	(9,894,817)	(9,894,817)
Disposal	-	-	-	-	-	-	-	-
30th June 2017	-	-	51,535,983	403,009,332	65,233,216	56,097,491	853,455,039	1,429,331,061
N.B.V 30th June 2017	3,627,797,246	1,189,586,063	78,304,130	207,715,248	9,792,638	19,868,285	77,370,209	5,210,433,819

NATIONAL IRRIGATION BOARD

IPSAS 31

NOTE 10. INTAGIBLE ASSETS MOVEMENT SCHEDULE AS AT 30 JUNE 2017
COMPUTER SOFTWARE FOR WAN, LAN AND ERP

Cost 1st July 2015	104,634,724
Additions	12,809,984
Disposals	-
Revaluation	-
30th June 2016	117,444,708
<u>DEPRECIATION:</u>	
1st July 2015	52,574,914
Charge	37,187,292
Revaluation	-
Disposal	-
30th June 2016	89,762,206
N.B.V 30th June 2015	27,682,502
Cost 1st July 2016	117,444,708
Additions	3,990,000
Disposals	-
Revaluation	-
30th June 2017	121,434,708
<u>DEPRECIATION:</u>	
1st July 2016	89,762,206
Charge	20,900,968
Revaluation	-
Disposal	-
30th June 2017	110,663,174
N.B.V 30th June 2017	10,771,534

11. WORK IN PROGRESS(Refer to note 28)

	2017 KSHS	2016 KSHS
Work in progress b/f (see attached schedule)	15,014,397,659	10,153,214,266
Additions during the period	5,458,263,591	4,868,872,920
Transfer of completed projects to retained earnings	(1,979,612,467)	-
Stale cheques written off from WIP	(34,798,682)	-
Transfer of WIP to buildings	(7,164,475)	(7,689,527)
	<u><u>18,451,085,625</u></u>	<u><u>15,014,397,659</u></u>

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

12. LONG TERM INVESTMENTS

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

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

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

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

For consistency they are valued at cost until the Government decides to sell them.

That is when the actual market value will be attained.

13. INVESTMENT MORTGAGE

	2017 KSHS	2016 KSHS	IPSAS 30
Investment in Kenya Development Bank			
Balance B/F	178,183,352	168,956,613	
Interest for the period	8,195,010	9,226,739	
	<u><u>186,378,362</u></u>	<u><u>178,183,352</u></u>	

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

14. INVENTORIES

	2017	2016
	KSHS	KSHS
A General Store	7,992,396.47	10,280,887
B Workshop Store	59,362,009.00	71,561,992
C Input Store	15,599,915.60	22,972,629
D Paddy Store	23,860,737.16	32,330,003
E Farm Produce Store	1,229,175.00	994,805
TOTAL	<u>108,044,233</u>	<u>138,140,315</u>

IPSAS 12

15. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2017	2016
	KSHS	KSHS
A Staff Imprests	36,350,701.00	22,258,870
B Trade	2,710,506.27	2,710,506
C Farmers	354,870,889.62	276,186,375
D Others	230,882,622.85	228,483,441
E Provision for bad debts	-501,257,095.79	(518,364,597)
TOTAL	<u>123,557,624</u>	<u>11,274,595</u>

IPSAS 1

16. CASH AND CASH EQUIVALENTS

	2017	2016
	KSHS	KSHS
A Cash Balances	1,563,999	1,903,231
B Bank Balances	1,386,976,392	2,021,847,321
Total	<u>1,388,540,391</u>	<u>2,023,750,552</u>

IPSAS 2

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

17. RETAINED EARNINGS

	2017	2016
	KSHS	KSHS
Balance b/ f	14,606,538,943	11,048,288,423
Excess/Deficit for the year	3,644,004,066	3,558,250,520
Retained earnings adjustment	(1,968,370,664)	
Balance c/f	<u>16,282,172,345</u>	<u>14,606,538,943</u>

IPSAS 1

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

18. DEVELOPMENT FUND

IPSAS 1

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

	2017 KSHS	2016 KSHS
MWEA	10,129,501	10,129,501
AHERO	908,490	908,490
BUNYALA	207,916	207,916
WEST KANO	449,313	449,313
	<u>11,695,220</u>	<u>11,695,220</u>

19. CAPITAL FUND

IPSAS 1

	2017 KSHS	2016 KSHS
Balance brought forward	694,921,649	694,921,649
Additions during the year	-	-
Balance C/Forward	<u>694,921,649</u>	<u>694,921,649</u>

20. JICA FUND

IPAS 5

	2017 KSHS	2016 KSHS
Balance b/f	1,541,594,513	773,472,139
Received within the year	451,877,444	768,122,374
Balance c/f	<u>1,993,471,957</u>	<u>1,541,594,513</u>

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

21. BADEA FUND

IPAS 5

	2017 KSHS	2016 KSHS
Balance brought forward	561,601,248	513,850,205
Received within the year	49,142,577	47,751,043
Balance C/Forward	<u>610,743,825</u>	<u>561,601,248</u>

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

22. KUWAIT FUND

IPAS 5

	2017 KSHS	2016 KSHS
Balance brought forward	394,554,800	314,765,322
Work in progress during the year	102,975,764	79,789,478
Balance C/Forward	<u>497,530,564</u>	<u>394,554,800</u>

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

23. OFID FUND

IPAS 5

	2017 KSHS	2016 KSHS
Balance brought forward	88,918,104	60,469,076
Work in progress during the year	36,842,359	28,449,028
Balance C/Forward	<u>125,760,463</u>	<u>88,918,104</u>

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

24. DOUBLE CROP GRANT

IPAS 1

	2017 KSHS	2016 KSHS
Kenya Government Grant in respect of Mwea	27,707,439	27,707,439
	<u>27,707,439</u>	<u>27,707,439</u>

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

25. BANK OF LEUMI ISRAEL

IPAS 5

	2017 KSHS	2016 KSHS
Balance brought forward	561,786,432	-
Received within the year	1,140,221,570	561,786,432
	<u>1,702,008,002</u>	<u>561,786,432</u>

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

26. TENANTS HOUSING LOAN

IPSAS 1

	2017 KSHS	2016 KSHS
	0	298,686
	<u>0</u>	<u>298,686</u>

The loan above is for tenants housing at Karaba in Mwea which is repayable.

Under the terms of the Irrigation Act, all Government loans are secured by a first charge on the property, assets, revenues and funds of the Board.

27. PAYABLES FROM EXCHANGE TRANSACTIONS

IPSAS 1

	2017 KSHS	2016 KSHS
Trade	1,820,266,052.05	1,735,753,198
Contractors	1,349,839,371.74	2,106,175,302
Consultants	335,369,274.22	330,186,775
Gratuity Provision	30,680,188.30	22,605,637
Others	24,595,240.43	3,909,761
TOTAL	<u>3,560,750,127</u>	<u>4,198,630,672</u>

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

28. Schedule of Work in progress(Support for Note No.11)

	2017 KSHS	2016 KSHS
Bura Irrigation scheme	2,884,597,882	2,090,527,266.00
Sub total	<u>2,884,597,882</u>	<u>2,090,527,266.00</u>
Other Projects		
Ahero research	-	1,960,000.00
Expanded Irrigation Projects (EIP)	4,741,469,253	4,312,857,686.35
Galana project	5,305,021,694	3,707,952,697.25
Katilu Development Project (KDP)	-	5,204,475.00
Kayatta Irrigation Project	-	9,804,000.00
Lower Kujja(LKI)	592,974,019	571,330,893.00
Lower Sio Basin(LSB)	578,466,414	573,267,103.00
Mitungu Irrigation Project (MTS)	-	47,781,052.00
Muringa Banana Project (MBM)	-	452,206,171.00
Mwangea Irrigation Project	-	492,246.00
Mwea Irr. Dev Project(MIDP)	4,348,556,363	3,241,014,069.00
Sub total	<u>15,566,487,743</u>	<u>12,923,870,393</u>
Total	<u><u>18,451,085,625</u></u>	<u><u>15,014,397,659</u></u>

29. Related Party Balances**a) Nature of related party relationship**

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

The entity is related to:

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

b) Related party transactions

	2017 KSHS	2016 KSHS
Transfers from Ministry of Water & Irrigation parties	4,879,929,999.00	6,202,846,350.00
Transfers to related parties	-	-
Net Balance	<u>4,879,929,999.00</u>	<u>6,202,846,350.00</u>

c) Key Management remuneration

	2017 KSHS	2016 KSHS
Directors	45,392,238.00	22,650,506.00
Key Management remuneration	20,453,128.00	20,093,128.00
Net Balance	<u>65,845,366.00</u>	<u>42,743,634.00</u>

d) Due from related parties

	2017 KSHS	2016 KSHS
Due from Ministry of Water & Irrigation parties	-	-
Transfers to related parties	-	-
Net Balance	<u>-</u>	<u>-</u>

e) Due to related parties

	2017 KSHS	2016 KSHS
Due to Ministry of Water & Irrigation parties	-	-
Due to other related parties	-	-
Net Balance	-	-

NATIONAL IRRIGATION BOARD
 NOTES TO FINANCIAL STATEMENTS
 2016-17

INTER-ENTITY TRANSFERS

Breakdown of transfers from Ministry of Water & Irrigation
 FY 2016/2017

a.	Recurrent Grants	Bank Statement date	Amount (KSH)	For Financial Year
		06-07-2016	154,900,000	2015-2016
		09-09-2016	76,975,000	2016-2017
		11-11-2016	76,975,000	2016-2017
		09-02-2017	76,975,000	2016-2017
		09-05-2017	76,975,000	2016-2017
		TOTAL	462,800,000	
b.	Development Grants	16-9-2016	845,192,499	2016-2017
		08-11-2016	602,500,000	2016-2017
		24-11-2016	989,807,500	2016-2017
		20-12-2016	15,000,000	2016-2017
		09-02-2017	837,500,000	2016-2017
		17-05-2017	1,112,500,000	2016-2017
		TOTAL	4,402,499,999	
c.	Other Grants			
	For Lower Nzoia Dev.	23-05-2017	14,630,000	2016-2017
	For Mwea Irr. Dev. Proje	06-07-2016	133,475,680.00	2016-2017
			148,105,680.00	
d.	Direct Payments			
		08-08-2016	328,715,415	2016-2017
		18-08-2016	17,690,366	2016-2017
		02-09-2016	5,115,797	2016-2017
		16-05-2016	300,000,000	2016-2017
		24-10-2016	91,930,740	2016-2017
		03-11-2016	8,609,060	2016-2017
		22-11-2016	811,506,155	2016-2017
		01-01-2017	79,339,593	2016-2017
		15-03-2017	4,676,907	2016-2017
		TOTAL	1,647,584,032	
e.	Donor Receipts			