

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
NATIONAL IRRIGATION BOARD

FOR THE YEAR ENDED
30 JUNE 2014

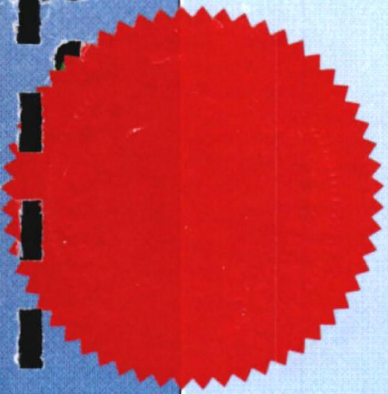
Paper Laid

*By the Leader of
Majority Party*

*on Wednesday
26/8/2015*

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KENYA NATIONAL AUDIT OFFICE
P. O. Box 30084 - 00100, NAIROBI.

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NATIONAL IRRIGATION BOARD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2014



I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) 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. 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 (WCRM) 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 Agriculture, livestock and fisheries who is responsible for the general policy and strategic direction of the National Irrigation Board.

(b) 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

(c) Key Management

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

Eng. Daniel K. Barasa, HSC
General Manager
National Irrigation Board
P.O BOX 30372, 00100
NAIROBI

Charles Koske
Deputy General Manager – (Finance and Administration)
P.O BOX 30372, 00100
NAIROBI

Francis K. Njoroge
Deputy General Manager – Technical
National Irrigation Board
P.O BOX 30372, 00100
NAIROBI

Mary Chomba
Chief Accountant
National Irrigation Board
P.O BOX 30372, 00100
NAIROBI

Daniel Atula
Chief Irrigation Officer (Agriculture)
National Irrigation Board
P.O BOX 30372, 00100
NAIROBI

Mugambi Gitonga
Chief Irrigation Officer (Planning and Research)
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
Principal Human Resource Officer
National Irrigation Board
P.O BOX 30372, 00100
NAIROBI

Rose Mwendu
Principal Internal Auditor
National Irrigation Board

P.O BOX 30372, 00100
NAIROBI

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	General Manager	Eng. Daniel K. Barasa, HSC
2.	Deputy General Manager – Finance and Strategy	Mary Chomba

(e) Fiduciary Oversight Arrangements

Finance and General Purpose 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
- All staffing activities are done according to rules and regulations

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

(f) National Irrigation Board Headquarters

National Irrigation Board
Unyunyizi House
Lenana Road

(g) 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

(h) National Irrigation Board Bankers

Barclays Bank of Kenya
Queensway House Branch.
P.O. Box 30120-00100
Nairobi, Kenya



(i) Independent Auditors

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

(j) Principal Legal Adviser

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

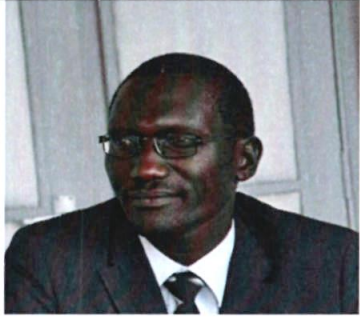
II. THE BOARD OF DIRECTORS

 <p>DR. SAMMY LETEMA</p>	<p>DR. SAMMY LETEMA CHAIRMAN</p> <p>Dr. Sammy C. Letema joined National Irrigation Board as the chairman on 10th January, 2014.</p> <p>He is a holder of PhD from Wageningen University of the Netherlands. Masters of Environmental Planning and Management, Kenyatta University, Certificate in Public Private Partnerships for Urban Environmental Services. UNDP/Yale University and Bachelor degree in Environmental Studies (Planning & Management), Kenyatta University. Dr. Sammy Letema is a member of Kenya institute of Planners(KIP), Corporate member (MKIP) and National Environmental Management Authority(NEMA): Lead Expert, Environmental Impact Assessment and Audit. He is also the chairman to the Departmental Board of Postgraduate Committee, Kenyatta University and Coordinator to the Departmental Website Manager, Kenyatta University. He has also been involved in the preparation of Iten town Integrated Spatial Development Plan, preparation of Mandera Town Integrated Urban Development Plan, Review of Informal Settlements Basic Urban Infrastructure Services Standards and Regulations, Development of Civil Society (CSOs) Urban Dialogue Papers, EIA for Likii Sewerage Extension Nanyuki Municipality, Member of National Technical Team for preparation of integrated Solid Waste Management Strategy for Nairobi City, Preparation of Kisumu Waste Management Strategy among others.</p>
 <p>ENG. DANIEL BARASA 'HSC'</p>	<p>Eng. DANIEL K. BARASA 'HSC' GENERAL MANAGER</p> <p>Eng. Daniel Barasa was appointed the General Manager of National Irrigation Board on 17th July 2008</p> <p>He is a holder of B.Sc. Civil Engineering as well as M.Sc. Civil Engineering from University of Nairobi.</p> <p>Eng. Barasa is a well accomplished Engineer having gathered experience of over 30 years' experience in Planning Design Administration, Management Operation and Maintenance, Policy and Strategies formulation in the Water Sector including General Management of Programmes and Human resources in the country.</p> <p>Prior to his appointment as General Manager of National Irrigation Board, Eng. Barasa was Project Director where he presided over Water Sector Reforms. He was also the Acting CEO Water</p>

	<p>Services Regulatory Board. He held various senior positions in the water sector which offered him exposure to numerous Government of Kenya and Donor Funded assignments.</p> <p>Due to his wide diverse experience in the Water Sector, he brings in a wealth of experience to the Board. He is a registered Engineer with Engineers' Registration Board as well as Corporate member of the Institute of Engineers of Kenya. His experience is very useful in policy formulation, implementation and management of National Irrigation Board</p>
 <p>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 2013, he had practised as a consultant Company Secretary and held other similar positions for 20 years. He holds an Executive MBA from Moi University. He is also a fellow member of the Institute of Certified Public Secretaries of Kenya and a council member of the same institute. Currently he is pursuing LLB course at Catholic University of East Africa.</p>

III. MANAGEMENT TEAM

 <p>ENG. DANIEL BARASA 'HSC'</p>	<p>GENERAL MANAGER</p> <p>Eng. DANIEL K. BARASA 'HSC' GENERAL MANAGER</p> <p>Eng. Daniel Barasa was appointed the General Manager of National Irrigation Board on 17th July 2008</p> <p>He is a holder of B.Sc. Civil Engineering as well as M.Sc. Civil Engineering from University of Nairobi.</p> <p>Eng. Barasa is a well accomplished Engineer having gathered experience of over 30 years' experience in Planning Design Administration, Management Operation and Maintenance, Policy and Strategies formulation in the Water Sector including General Management of</p>
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	<p>Programmes and Human resources in the country.</p> <p>Prior to his appointment as General Manager of National Irrigation Board, Eng. Barasa was Project Director where he presided over Water Sector Reforms. He was also the Acting CEO Water Services Regulatory Board. He held various senior positions in the water sector which offered him exposure to numerous Government of Kenya and Donor Funded assignments.</p> <p>Due to his wide diverse experience in the Water Sector, he brings in a wealth of experience to the Board. He is a registered Engineer with Engineers' Registration Board as well as Corporate member of the Institute of Engineers of Kenya. His experience is very useful in policy formulation, implementation and management of National Irrigation Board</p>
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IV. CHAIRMAN'S STATEMENT

National Irrigation Board has had significant changes during the current financial year. The changes commenced with the Executive order no. 2 which moved its operations under the purview of Ministry of Water to Ministry of Agriculture, Livestock & Fisheries. This move enhanced its mandate to deliver on food security and focus on increased land under irrigated agriculture which was a focal objective of the current Government. To deliver this, the institution enhanced the implementation of the Galana Kulalu Food Security Project which is currently taking shape with the first crop production in the 10,000 acres model farm envisaged in 2015. When complete, the project will have a total of 450,000 acres under modern irrigated agriculture together with over 600,000 additional acres under different land use including forestation, livestock rearing and fish farming.

V. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2014 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, 2014 are set out on page 1 to 17

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, 2014.

By Order of the Board


Board Secretary

Nairobi

Date: 16.6.2015

NATIONAL IRRIGATION BOARD

VI. Statement of Boards' Responsibilities

The Irrigation Act requires the Board to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the board as at the end of the financial year and of its operating results for that year. It also requires the Board to ensure the board keeps proper accounting records, which disclose with reasonable accuracy the financial position of the board. They are also responsible for safeguarding the assets of the board.

The Board accepts responsibility for the annual financial statement, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Accounting Standards and the requirement of the Irrigation Act Cap 347. The Board is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the board and of its operating results. The Board further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

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



.....
ENG. D.K. BARASA
GENERAL MANAGER

Date..... 16.6.2015



.....
DR. SAMMY LETEMA
CHAIRMAN

Date..... 16.6.2015

REPUBLIC OF KENYA

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NAIROBI



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL IRRIGATION BOARD FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Irrigation Board set out on pages 1 to 18 which comprise the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International 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.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards of Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of

material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Freehold Land and Buildings

As previously reported, the property plant and equipment balance of Kshs.4,803,053,192 as at 30 June 2014 excludes the value of parcels of trust land in six schemes in respect of which ownership documents have not been obtained. In the circumstances, it is not possible to confirm the accuracy, and completeness of property, plant and equipment balance of Kshs.4,803,053,192 as at 30 June 2014.

2. Lease of Galana Ranch

During the year, the Board incurred an expenditure of Kshs. 60 million for the lease of 20,000 acres land from Agricultural Development Corporation (ADC) for a period of five (5) years with effect from 1 April 2013. According to the lease agreement, the Board is to pay Kshs. 3,000 per acre for the lease land.

However, a review of similar lease agreements entered into between Agricultural Development Corporation (ADC) and some private investors revealed that Corporation was charging between Kshs.200-300 per acre and although the management has explained that the rate of Kshs. 3,000 per acre was based on the advice by the Ministry of Housing and Urban Development Ref. VAL71/AV dated 7 April 2014, it is not clear whether this advice was based on any valuation carried out on the leased land. In addition, no logical explanation has been given as to why the rate charged to the Board (NIB) which is a Government institution materially differs with those charged to private firms for the same acreage of land leased.

In the circumstances, it is not possible to confirm whether the payment of Kshs.60 million to ADC was a proper charge to public funds.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material

respects the financial position of the Board as at 30 June, 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (IPSAS Accrual) and comply with the Irrigation Act, Cap 347 of the Laws of Kenya.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

03 July 2015



**NATIONAL IRRIGATION BOARD
STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2014**

	NOTES	2014 KSHS	2013 KSHS
ASSETS			
NON CURRENT ASSETS			
Property plant and equipment	2	4,803,053,192	4,845,130,713.00
Intangible Assets ICT	3	89,633,486	
Work in progress	4(a)	10,601,811,053	
Long term Investments	4(b)	27,950,000	27,950,000.00
Investment - mortgage	5	150,000,000	
Total non-current assets		15,672,447,731	4,873,080,713.00
CURRENT ASSETS			
Inventories	6	179,966,366	198,213,185.00
Receivables from exchange transactions	7	49,839,759	933,411,176.00
Cash and cash equivalents	8	754,587,791	1,993,712,682.00
Inter-scheme accounts	9		229,231,538.00
Total current assets		984,393,916	3,354,568,581.00
TOTAL ASSETS		16,656,841,647	8,227,649,294.00
EQUITIES AND LIABILITIES			
Retained Earnings	10	11,570,072,342	6,241,054,070.00
Development Fund	11	11,695,220	11,695,220.00
Capital Fund	12	694,921,649	694,921,649.00
JICA Grant	13	402,094,119	347,332,165.00
BADEA Grant	14	496,291,300	392,643,830.00
KUWAIT Fund	15	268,725,163	147,245,395.00
OFID FUND	16	42,040,147	-
Double Crop Grant	17	27,707,439	27,707,439.00
		13,513,547,379	7,862,599,768.00
NON CURRENT LIABILITIES			
Tenants Housing Loan	18	298,686	298,686.00
Total Non current Liabilities		298,686	298,686.00
CURRENT LIABILITIES			
Payables from exchange transactions	19	3,074,726,651	364,750,840.00
Bank Overdraft	20	803	-
Inter-scheme accounts	9	68,268,128	
Total current liabilities		3,142,995,582	364,750,840.00
TOTAL EQUITY & LIABILITIES		16,656,841,647	8,227,649,294.00

SIGN.....

ENG. D. K. BARASA
 GENERAL MANAGER

DATE.....16.06.2015.....

SIGN.....

DR SAMMY LETEMA
 CHAIRMAN

DATE.....16/06/2015.....



**NATIONAL IRRIGATION BOARD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2014**

	NOTES	2014 KSHS	2013 KSHS
Revenue from non exchange transactions			
Government Grants	21	8,616,191,959	7,399,754,453
Revenue from exchange transactions			
Income	22	91,596,429	73,030,351
Other operational income	23	177,122,487	361,914,801
TOTAL INCOME		8,884,910,875	7,834,699,605
EXPENDITURE			
Administrative expenses	24	253,841,858	483,883,118
Staff cost	25	375,716,047	
Operating expenses	26	3,280,774,273	3,841,628,048
Community project expenses	27		2,524,792,824
Board members expenses	28	4,048,858	13,068,840
Finance cost	29	1,215,575	2,264,637
TOTAL EXPENDITURE		3,915,596,612	6,865,637,467
Surplus/(Deficit) for the year		4,969,314,263	969,062,138

NATIONAL IRRIGATION BOARD
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30TH JUNE 2014

	2014	2013
	KSHS	KSHS
Surplus	4,969,314,263	969,062,138
Adjustment for items not involving movement of funds.		
Adjustment for research expenses	-	-
Depreciation	173,716,374	139,832,057
(Gain)(loss on disposal of assets	(13,765,955)	
Retained earnings Adjustment	359,704,009	
(Increase)/decrease in interschemes	297,499,666	(314,644,593)
Adjustment to long term investments		
Restated income/(expences)		
Operating profit before working capital changes	5,786,468,357	794,249,602
increase/ in assets		
Working Capital changes		
(Increase)/decrease in inventories	18,246,819	13,911,834
(Increase)/decrease in Receivables from exchange transactions	883,571,418	(603,881,460)
(Increase)/decrease in interschemes		
Increase/(decrease) in Payables from exchange transactions		61,900,713
Increase in payables	2,709,975,810	
Net cash from operating activities	9,398,262,403	266,180,689
Investing activities		
Purchase of fixed assets	(221,304,543)	(2,621,663,865)
Sale of obsolete assets	13,798,160	
Purchase of work in progress	(10,601,811,053)	
Mortgage	(150,000,000)	
Cash from investing activities	(10,959,317,436)	(2,621,663,865)
Financing activities	(2,462,873,269)	
CAPITAL ACCOUNT	-	-
BADEA Grant	103,647,470	-
KUWAIT Fund	121,479,768	-
OFID	42,040,147	
JICA GRANTS	54,761,954	94,156,125
BANK OVERDRAFT	803	
Cash from financing activities	321,930,142	94,156,125
Net increase/(decrease) in cash	(1,239,124,891)	(2,261,327,051)
Cash and cash equivalent at the beginning of the year	1,993,712,682	4,245,039,729
Cash and cash equivalent at the end of the year	754,587,791	1,983,712,678

NATIONAL IRRIGATION BOARD

Statement of changes in Net Assets for the year ended 30 June 2014

	Reserves	Development Fund	Capital Fund	JICA	BADEA	KUWAIT	Loan Capital	OFID	Total
	Kshs.	Kshs.	Kshs.	Kshs.		FUND	Kshs.		Kshs.
As at 1 st July 2012	5,271,991,928	11,695,220	694,921,649	253,176,040	392,643,830	147,245,395	27,707,439		6,799,381,501
Capitalised during the year				94,156,125					94,156,125
Transfers to/from accumulated surplus									-
Excess income over expenditure	969,062,142								969,062,142
As at 30 th June 2013	<u>6,241,054,070</u>	<u>11,695,220</u>	<u>694,921,649</u>	<u>347,332,165</u>	<u>392,643,830</u>	<u>147,245,395</u>	<u>27,707,439</u>		<u>7,862,599,768</u>
As at 1 st July 2013	6,241,054,070	11,695,220	694,921,649	347,332,165	392,643,830	147,245,395	27,707,439		7,862,599,768
Work in progress during the year				54,761,954	103,647,470	121,479,768		42,040,147	321,929,339
Retained earnings Adjustment	359,704,009								359,704,009
Excess income over expenditure	4,969,314,263								4,969,314,263
Transfers to/from accumulated surplus									-
As at 30 th June 2014	<u>11,570,072,342</u>	<u>11,695,220</u>	<u>694,921,649</u>	<u>402,094,119</u>	<u>496,291,300</u>	<u>268,725,163</u>	<u>27,707,439</u>	<u>42,040,147</u>	<u>13,513,547,379</u>

NATIONAL IRRIGATION BOARD
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30TH JUNE, 2014

1 ACCOUNTING POLICIES

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

(a) Basis of Preparation

The financial statements are prepared in accordance with International Public Sector Reporting Standards

(b) Property Plant and Equipment

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:-

Irrigation works and sewerage system	None
Freehold land and buildings	2% (buildings)
Buildings at schemes	2%
Plant, machinery and equipment	10%
Tractors & Motor vehicles	20%
ICT Installations	10%

(c) Inventories

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) Pilot Schemes

Until a scheme has become operational, the Board produces only a receipts and payments account and carries forward the net costs as development expenditure.

When the scheme becomes operational, the accumulated costs are fixed assets and the grants received transferred to capital fund.

(f) **Government grants**

The Government has agreed to provide grants to cover legitimate prior years' deficits on operational schemes and an appropriate adjustment is made to the total deficits carried forward each year in the income and expenditure accounts. In addition, capital grants are provided by the Government.

(g) **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 loans outstanding.

(h) **Taxation**

The National Irrigation Board is exempted from Kenya Income Tax.

(i) **Investments**

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

(j) **Receivables**

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 treasury.

(k) **Payables**

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

(l) **Revenue recognition**

Revenue is recognised when earned.

NATIONAL IRRIGATION BOARD

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PROPERTY PLANT AND EQUIPMENT MOVEMENT SCHEDULE AS AT 30 JUNE 2014

	Irrigation Works & Sewerage	Freehold Land & Buildings	Buildings at Schemes	Plant Machinery & Equipment	Tractors & Motor Vehicles	Total
<u>COST:</u>	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost 1 st July 2012	1,690,326,830.00	30,631,377.00	101,793,264.00	540,399,241.00	853,325,582.00	3,216,476,294.00
Additions	1,719,726,769.22	787,027,251.83	3,767,559.90	45,882,122.25	38,074,150.00	2,594,477,853.20
Disposals	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
30th June 2013	3,410,053,599.22	817,658,628.83	105,560,823.90	586,281,363.25	891,399,732.00	5,810,954,147.20
<u>DEPRECIATION:</u>						
1 st July 2012	-	2,894,678.00	39,858,485.00	293,280,710.00	533,443,502.00	869,477,375.00
Charge	13,747,733.85	907,833.00	900,179.00	25,482,541.11	96,591,454.40	137,629,741.36
Revaluation	-	-	-	-	-	-
Disposal	-	-	-	-	-	-
30 th June 2013	13,747,733.85	3,802,511.00	40,758,664.00	318,763,251.11	630,034,956.40	1,007,107,116.36
N.B.V 30 th June 2013	3,396,305,865.37	813,856,117.83	64,802,159.90	267,518,112.14	261,364,775.60	4,803,847,030.84
Cost 1 st July 2013	3,410,053,599.22	817,658,628.83	105,560,823.90	586,281,363.25	891,399,732.00	5,810,954,147.20
Additions				95,961,525.00	70,670,927.00	166,632,452.00
Disposals	-	-	-	(4,066,613.30)	(30,792,077.36)	(34,859,690.66)
Revaluation	-	-	-	-	-	-
30th June 2014	3,410,053,599.22	817,658,628.83	105,560,823.90	678,176,274.95	931,278,581.64	5,942,727,908.54
<u>DEPRECIATION:</u>						
1st July 2013	13,747,733.85	3,802,511.00	40,758,664.00	318,763,251.11	630,034,956.40	1,007,107,116.36
Charge		1,082,356.50	1,044,416.10	53,731,462.83	111,535,851.85	167,394,087.28
Revaluation		-	-	-	-	-
Disposal		-	-	(13,616,245.00)	(21,210,241.60)	(34,826,486.60)
30th June 2014	13,747,733.85	4,884,867.50	41,803,080.10	358,878,468.94	720,360,566.65	1,139,674,717.04
N.B.V 30th June 2014	3,396,305,865.37	812,773,761.33	63,757,743.80	319,297,806.01	210,918,014.99	4,803,053,191.50

NATIONAL IRRIGATION BOARD

3. INTANGIBLE ASSETS ICT SCHEDULE AS AT 30 JUNE 2014

	ICT Installations
COST:	Kshs
Cost 1 st July 2012	22,576,840.00
Additions	27,186,011.70
Disposals	-
Revaluation	-
30th June 2013	49,762,851.70
DEPRECIATION:	
1 st July 2012	6,276,854.00
Charge	2,202,315.55
Revaluation	-
Disposal	-
30th June 2013	8,479,169.55
N.B.V 30th June 2013	41,283,682.15
Cost 1st July 2013	49,762,851.70
Additions	54,672,091.00
Disposals	-
Revaluation	-
30th June 2014	104,434,942.70
DEPRECIATION:	
1st July 2013	8,479,169.55
Charge	6,322,286.57
Revaluation	-
Disposal	-
30th June 2014	14,801,456.12
N.B.V 30th June 2014	89,633,486.58

NATIONAL IRRIGATION BOARD
Notes continued.....

4(a) WORK IN PROGRESS SCHEDULE	2014	2013
	KSHS	KSHS
Work in progress (see attached schedule)	10,601,811,053	-
	<u>10,601,811,053</u>	<u>-</u>

4(b). LONG TERM INVESTMENTS	2014	2013
	KSHS	KSHS
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 Perkerra Flower Project	25,200,000	25,200,000
	<u>27,950,000</u>	<u>27,950,000</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.

5. INVESTMENT - MORTGAGE	2014	2013
	KSHS	KSHS
Investment in Kenya Development Bank	150,000,000	
This relate to amount invested for staff mortgage.		

6. INVENTORIES	2014	2013
	KSHS	KSHS
Spares	73,166,518	46,472,514
Consumables	12,301,031	63,935,741
Other seeds		50,609,168
Fertiliser and other inputs	48,008,124	
Paddy Seed	45,957,090	36,572,502
Paddy Store	31,396.00	
Model Farm Produce Store	502,207	623,260
	<u>179,966,366</u>	<u>198,213,184</u>

7. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	2014	2013
	KSHS	KSHS
Staff debtors	51,079,609	15,112,468
Other debtors	486,649,229	918,298,708
	<u>537,728,838</u>	<u>933,411,176</u>
Less: Provision for doubtful debts	(487,889,079)	
	<u>49,839,759</u>	

NATIONAL IRRIGATION BOARD
Notes continued.....

8. CASH AND CASH EQUIVALENTS

	2014	2013
	KSHS	KSHS
BANK BALANCES	753,414,094	1,988,643,040
CASH ON HAND	1,173,697.15	5,069,642
	<u>754,587,791</u>	<u>1,993,712,682</u>

The bank amount refer to all monies held in all bank accounts of National irrigation Board.
The cash on hand amount refers to all monies held in cash form in all cash offices of National irrigation Board

9. INTER-SCHEMES

	2014	2013
	KSHS	KSHS
	<u>(68,268,128)</u>	<u>229,231,538</u>

The amounts relate to schemes indebtedness. They arise as a result of internal transactions between at least two schemes where one of the scheme does not recognise income/expense received/paid on behalf of the other.

10. RETAINED EARNINGS

	2014	2013
	KSHS	KSHS
Balance b/ f	6,241,054,070	5,271,991,928
Excess/Deficit for the year	4,969,314,263	969,062,142
Retained earnings Adjustment	359,704,009	
Balance c/f	<u>11,570,072,342</u>	<u>6,241,054,070</u>

11. DEVELOPMENT FUND

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:-

NATIONAL IRRIGATION BOARD
Notes continued.....

	2014 KSHS	2013 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>

12. CAPITAL FUND

	2014 KSHS	2013 KSHS
Balance brought forward	694,921,649	213,921,649
Work in progress during the year	-	481,000,000
Balance C/Forward	<u>694,921,649</u>	<u>694,921,649</u>

13. JICA GRANTS

Balance b/f	347,332,165	253,176,040
Work in progress during the year	54,761,954	94,156,125
Balance c/f	<u>402,094,119</u>	<u>347,332,165</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

14. BADEA GRANT

	2014 KSHS	2013 KSHS
Balance brought forward	392,643,830	392,643,830
Work in progress during the year	103,647,470	
Balance C/Forward	<u>496,291,300</u>	<u>392,643,830</u>

Kenya Government Loan from BADEA in respect of Irrigation schemes

NATIONAL IRRIGATION BOARD
Notes continued.....

15. KUWAIT FUND

	2014 KSHS	2013 KSHS
Balance brought forward	147,245,395	142,665,295
Work in progress during the year	121,479,768	4,580,100.00
Balance C/Forward	<u>268,725,163</u>	<u>147,245,395</u>

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

16. OFID FUND

	2014 KSHS	2013 KSHS
Balance brought forward	-	
Work in progress during the year	42,040,147.00	
Balance C/Forward	<u>42,040,147.00</u>	-

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

17. DOUBLE CROP GRANT

	2014 KSHS	2013 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.

18. TENANTS HOUSING LOAN

	2014 KSHS	2013 KSHS
Mwea Rice Mills Ltd		
Loan for Tenants housing.	298,686	298,686
Repayments.	<u>298,686</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.

NATIONAL IRRIGATION BOARD
Notes continued.....

19 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2014	2013
	KSHS	KSHS
Trade creditors (Bills Payable)	2,993,906,686.00	-
Other creditors	80,819,964	364,750,841
	<u>3,074,726,650</u>	<u>364,750,841</u>

20 BANK OVERDRAFT

	2014	2013
	KSHS	KSHS
Trade creditors (Bills Payable)	-	-
Other creditors	803	-
	<u>803</u>	<u>-</u>

The overdraft was as a result of bank charges in the account.

21 GOVERNMENT GRANTS

	2014	2013
	KSHS	KSHS
Development	8,359,191,959	7,142,745,398
Recurrent	257,000,000	257,009,055.00
Total	<u>8,616,191,959</u>	<u>7,399,754,453</u>

These are GOK grants for Development and recurrent expenditures

Grants for the year amounting to kshs 2,646,500,000 had not been received by year end.

The grants were received in July 2014

The unremitted amount is excluded as required by IPSAS

22 INCOME

	2014	2013
	KSHS	KSHS
Canals Roads & Structures (Operation & Maintenance)	91,596,429.00	73,030,351
	<u>91,596,429</u>	<u>73,030,351</u>

23. OTHER OPERATIONAL INCOME

	2014	2013
	KSHS	KSHS
(a)SALE OF FARM PRODUCE		
Sale of seed	24,814,558	21,343,676
Sale of Melons	144,550	9,941,712
Sale of Maize	3,904,501	40,650
Bran meal sales	17,400	6,000
Sale of rice - Basmati Paddy	1,850,582	445,670
Commercial seed	10,407,092	
Sale of rice - sindano Paddy	-	4,800
Sindano rice sales	-	2,760
Pilot farms produce	3,620,738	3,020,737

NATIONAL IRRIGATION BOARD
Notes continued

(b) OTHER INCOME SOURCES

Land preparation	965,800	265,700
Accountancy & administration fee	942,501	
Workshop income	881,989	983,121
Transport Income	628,650	685,310
Rent and rates- ground rent	208,559	24,600
Disposal of B/Materials & Inputs	175,525	10,670,937
Property compensation		9,100
Disposal of obsolete items	13,765,955	629,414
Electricity Charges	174,206	257,771
Collection/service charge fee		20,000
Disposal of fuel & spares	508,377	
Milling charges	4,710	
INTEREST ON DEPOSIT		
Bank interest	55,593,166	267,640,463
RENTAL INCOME		
House rent	7,771,537	7,601,434
HIRE OF FACILITIES		
Guest house income	10,929,108	14,172,411
HIRE OF EQUIPMENT & MACHINERY		
Hire of Equipment	8,100,745	6,477,818
Miscellaneous income	31,712,238	17,670,719
	177,122,487	361,914,816

24 ADMINISTRATIVE EXPENSES

a) Medical Expenses	20,683,034	19,427,353
b) Training Expenses	24,985,782	49,615,265
c) Office Expenses & Insurance	206,259,042	66,144,855
d) Auditors Remuneration	1,914,000	3,295,000
Sub-Total	253,841,858	138,482,473

25 (i) STAFF COST

	2014 KSHS	2013 KSHS
a) Basic salary	181,453,092	311,021,256
b) Others	194,262,955	34,379,389
	375,716,047	345,400,645
Total	629,557,905	483,883,118

NATIONAL IRRIGATION BOARD
Notes continued

26 OPERATING EXPENSES	2014	2013
	KSHS	KSHS
a) Travelling and Accomodation	71,856,715	79,717,098
b) Research and Training Project	54,273,028	44,617,204
c) Rehabilitation of buildings and irrigation works	1,204,652,968	2,540,057,854
d) Diesel, Petrol and Oils	115,540,174	120,620,555
e) Plant and Machinery mtce	71,009,480	63,320,530
f) Motor vehicles mtce	36,726,766	27,319,086
g) Tractors and Equipment mtce	22,429,179	19,844,231
h) Depreciation of Fixed Assets	173,716,374	139,832,057
Sub-Total	1,725,519,784	3,035,328,595

(ii) General Expenditure

Commercial farm expenses		149,040
General transport	124,120	1,688,754
Sales expenses		-
Fumigation		396,605
Store Hire	225,000	75,000
Pumping station electricity bill	13,198,946	13,843,376
Survey expenses		242,309
Bicycle Allowance	84,700	77,602
Research		10,000,000
Hire of Machinery	341,084,400	204,043,838
Land preparation-contractors	2,522,198	2,100,674
Security services	744,459	159,095
Production support firm		3,578,000
MIAD Farm Exp.	29,410,474	3,221,750
Security Services-Hired guards	1,266,418	329,102
Legal and proffessional fees	5,410,717	33,066,171
Advertising	15,387,712	19,054,402
Agricultural show	13,021,096	10,570,845
Guest House Expenses	6,320,042	5,578,864
Harvesting Expenses	125,325	687,975
Livestock expenses	302,610	46,350
Inputs handling expenses		4,386
Consumables		274,075
Feasibility studies & designs of Projects	370,276,291	495,587,818
Rehabilitation of holdings including bush clearing	266,871,209	
Other expenses	488,862,772	
ESP Expenses		779,092
Donations		99,294
Licence charges	16,000	645,037
Sub-Total	1,555,254,489	806,299,454
TOTAL OPERATING EXPENSES	3,280,774,273	3,841,628,048

27. COMMUNITY EXPENSES SCHEDULE

Community expenses	2014	2013
	KSHS	KSHS
Community expenses	-	2,524,792,824
		2,524,792,824

NATIONAL IRRIGATION BOARD
Notes continued

28. BOARD EXPENSES	2014	2013
	KSHS	KSHS
Sitting allowance	2,050,000.00	5,315,557
Mileage Allowance	481,358.00	593,624
Accommodation Allowance	1,229,000.00	3,361,361
Travel Expenses	2,500.00	1,279,211
Honoraria		1,126,898
Lunch Allowance	286,000.00	483,627
Others		908,562
	4,048,858	13,068,840

29. FINANCE COST	2014	2013
	KSHS	KSHS
	1,215,575	2,264,636
	1,215,575	2,264,636

30 INVESTMENT IN FIXED DEPOSIT

This relate to amounts invested in banks as short term depositsso as to earn interest within the year
All the amounts were recalled before year end .

31 RELATED PARTIES 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

31 CONTINGENT ASSETS AND LIABILITIES

There were no contingent liabilities affecting National Irrigation Board within the year

32 SUBSEQUENT EVENTS

There were no subsequent events that affected National Irrigation Board.

33 SUMMARY OF SIGNIFICANT ACCOUNTING JUDGEMENTS AND ASSUMPTIONS

Property Plant and Equipment

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:-

Irrigation works and sewerage system	None
Freehold land and buildings	2% (buildings)
Buildings at schemes	2%
Plant, machinery and equipment	10%
Tractors & Motor vehicles	20%
ICT Installations	10%

There are no other accounting judgements that affect National Irrigation Board

34 The Public Finance management (PFM) Act 2012 Section 192 provided setting up of Public sector accounting standards.

The cabinet secretary national treasury gazzetted members of the board through gazzette Notice number 1199 of 28 february 2014. Following the Board approval on the adoption of IFRS for commercial entities and standards (IPSAS) for non commercial entities, the board has adopted the pronouncements made by the IPSAS board in preparation of its current year financial statements.

NATIONAL IRRIGATION BOARD
Notes continued.....

Schedule of Work in progress

	Kshs
Head Office	3,869,124.30
Mwea Irr. Scheme	329,211.50
Perkerra Irr Scheme	329,212.00
Tana Irr. Scheme	971,711.50
Ahero Irr. Scheme	329,211.50
West Kano	329,211.50
Bunyala Irrigation scheme	667,199.25
MIAD	329,211.50
Bura Irrigation scheme	867,713,399.12
Bura Commercial farm	31,869,557.53
Sub total	906,737,049.70
Other Projects	
Ahero research	20,138,162.79
Hola Commercial farm	1,426,000.00
Galana project	1,276,343,765.97
Katilu Development Project (KDP)	436,580,136.34
Rapsu Irrigation Project (RIS)	32,652,298.10
Mitungu Irrigation Project (MTS)	42,416,925.75
Kibwezi Irrigation Project (KIS)	1,120,678.00
Muringa Banana Project (MBM)	229,091,044.79
Cannan Irrigation Project (CIP)	1,860.00
Lokubae Irrigation Project (LIS)	369,176,561.55
Expanded Irrigation Projects (EIP)	4,359,623,129.02
EIS	4,401,752.50
ESP	2,089,987.00
RAP	1,714,925.90
KDP	
KGP	221,144,926.09
KID	24,730,913.31
LKI	446,651,538.78
MDP	1,839,933,195.67
MIP	1,416,110.00
Sio Project	10,786,126.40
SISO	13,397,597.90
HIP	79,500.00
TIP	9,500.00
RID	6,962,094.70
SID	1,400,560.00
LNI	7,483,342.10
LSB	340,553,639.50
SUP	2,430,584.70
UID	1,317,146.00
Sub total	9,695,074,002.86
Total	10,601,811,053