

REPUBLIC OF KENYA



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OFFICE OF THE AUDITOR-GENERAL
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REPORT

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ON

STATE DEPARTMENT FOR IRRIGATION

FOR THE YEAR ENDED

30 JUNE, 2025

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 25 FEB 2026

DAY.

WEDNESDAY

TABLED
BY:

HON. NAOMI WAPO, MP
DEPUTY MAJORITY WHIP

CLERK-AT
THE TABLE:

RUTHER NG'NYO



MINISTRY OF WATER, SANITATION AND IRRIGATION
STATE DEPARTMENT FOR IRRIGATION

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30TH JUNE 2025

Transitional IPSAS Financial Statements.

STATE DEPARTMENT FOR IRRIGATION
Annual Report and Financial Statements for the year ended June 30, 2025

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1. Acronyms and Definition of Key Terms

A: Acronyms and Abbreviations

<i>CS</i>	<i>Cabinet Secretary</i>
<i>PS</i>	<i>Principal Secretary</i>
<i>CBK</i>	<i>Central Bank of Kenya</i>
<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IPSAS</i>	<i>International Public Sector Accounting Standards</i>
<i>OCOB</i>	<i>Office of the Controller of Budget</i>
<i>OAG</i>	<i>Office of the Auditor General</i>
<i>OSHA</i>	<i>Occupational Safety and Health Act of 2007</i>
<i>PFM</i>	<i>Public Finance Management</i>
<i>PPE</i>	<i>Property Plant & Equipment</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>SAGAs</i>	<i>Semi-Autonomous Government Agencies</i>
<i>SC</i>	<i>State Corporations</i>
<i>KWSCRIP</i>	<i>Kenya Water Security & Climate Resilience Project</i>

B: Definition of Key Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organization.

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2. Key MDA Information and Management

(a) Background information

The State Department for Irrigation was established through the Executive Order No. 1 of 2023 on Organization of the Government of the Republic of Kenya. The State Department for Irrigation is domiciled in Kenya under the Ministry of Water, Sanitation and Irrigation.

(b) Mandate

The overall mandate of the State Department for Irrigation under the Government Executive Order No 1 of 2023 was National Irrigation Policy and Management; Water Harvesting and Storage for Irrigation; Management of Irrigation Schemes; Water Storage and Flood Control Management; Mapping, Designating and Developing Areas ideal for Irrigation Schemes; Development of Irrigation Infrastructure; and Land Reclamation.

(c) Key Management

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

- Cabinet Secretary's office
- Principal Secretary's office
- Irrigation Secretary's office
- Secretary Administration's office

The above are supported by Head of Departments steering the following directorates and divisions/Sections/Units

1. Irrigation and Drainage development Directorate
2. Irrigation Water harvesting and storage Directorate
3. Irrigation Water Management Directorate
4. Irrigation Quality Assurance and licensing Directorate
5. Climate Resilience for Water and Food Security Directorate
6. Human Resource Management and Development Unit
7. Finance Unit
8. Accounts Unit
9. ICT Unit
10. Public Communications
11. Supply Chain Management Unit
12. Central Planning and Project Monitoring Department

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(d) Fiduciary Management

The key management personnel who held office during the period ended 30th June 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Cabinet Secretary	Eng. Eric Muriithi Mugaa
2	Accounting Officer	CPA. Ephantus Kimotho CBS
3	Irrigation Secretary	Eng. Vincent Kabuti OGW
4	Secretary Administration	Mr. David Yatich Kipkemei MBS
5	Head of Accounts	CPA. Samuel Kung'u
6	Senior Chief Finance Officer	CPA. Daniel Mutune Kihara

(e) Fiduciary Oversight Arrangements

The State Department relied on the Ministry's Audit Committee in exercising audit oversight and execution of Audit function. The Audit Committee's role is to provide an independent expert assessment on the quality of the activities of the management and the internal audit function. A Public Finance Management Standing Committee has been established with the designated responsibility for monitoring project implementation to ensure delivery of the project on time, within budget and in accordance with the design specification. The State Department also has Budget Implementation Committee composed of Heads of Department and all AIE Holders which was chaired by the Principal Secretary with Chief Finance Officer as the Secretary. The role of this committee was to ensure that the budget is implemented as per the Public Financial Management Act and other financial regulations.

(f) MDA Headquarters

P.O. Box 40530-00100,
Maji House
Ngong Road
NAIROBI, KENYA

(g) MDA Contacts

Telephone: (254) 20 2716103
E-mail: ps@irrigationkenya.go.ke
Website: www.water.go.ke

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(h) MDA Bankers

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

2 NCBA Bank Plc
NCBA Centre
Upper Hill branch
P.O. Box 44599
GPO 00100
NAIROBI, KENYA

(i) Independent Auditors

Auditor-General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(j) Principal Legal Adviser

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

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3. Profile of Cabinet Secretary



Eng. Eric Mugaa is the Cabinet Secretary Ministry of Water, Sanitation, and Irrigation. He has a strong background in civil engineering and extensive expertise in water resource management. He holds a Master's degree in Water Resources Engineering from the University of Nairobi and is a registered member of both the Engineers Board of Kenya (EBK) and the Institution of Engineers of Kenya (IEK).

4. Profiles of Accounting Officer and Key Management.

Accounting Officer and Key Management



CPA Ephantus Kimotho, CBS, is the Principal Secretary in the State Department for Irrigation. He holds a Bachelor of Commerce degree and is a Certified Public Accountant of Kenya. In FY 2024/25, he successfully spearheaded the development of the First National Irrigation Sector Investment Plan (2025–2035), a landmark framework designed to expand irrigation by an additional one million acres. Under his leadership, the Department is advancing Kenya's ambitious agenda to increase land under irrigation to 1.29

million acres by 2027, strengthen import substitution through expanded rice and maize production, build drought resilience through large-scale water harvesting initiatives, promote farmer-led irrigation financing, and deliver flagship projects such as the Galana Kulalu Food Security Project, the Bura Irrigation Project, the Lower Nzoia Irrigation Project, Mwea Irrigation Project among other strategic interventions.



Mr David Yatich Kipkemei, MBS is the Secretary administration State Department for Irrigation, He holds a Master in Rural sociology and community development & Bachelor degree in sociology and community development and extension. He is in charge of administration and coordination of state department operations & he deputise's the Principal Secretary in executing the mandate of the state department.



Eng. Vincent Kabuti, OGW, is the Irrigation Secretary in the State Department for Irrigation. He holds an MSc in Water Science and Engineering (Hydraulic Engineering, Land and Water Development) with distinction from UNESCO-IHE, Delft, Netherlands, and a BSc in Civil Engineering from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Kenya. With over 20 years of experience, he oversees irrigation development through project identification, planning, design, management,

and construction supervision, as well as participatory irrigation management, farmer training, and community mobilization. His expertise further encompasses strategy formulation, resource mobilization, budgeting, performance contracting, monitoring and evaluation of irrigation schemes, and the implementation of Quality Management Systems in ISO-certified environments.

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Eng. Michael Mwangi Thuita, MBS, holds a Bachelor's Degree in Agricultural Engineering and is a registered Professional Engineer with the Engineers Registration Board of Kenya as well as the Institution of Engineers of Kenya. He is a highly accomplished management executive with over 25 years of progressive experience in the fields of water, sanitation, irrigation, and natural resources management.



Mr. Joel K. Tanui is an accomplished professional with over 18 years of progressive experience in managing irrigation schemes and projects. He has extensive expertise in the planning, coordination, and supervision of large and small-scale irrigation projects, ensuring efficient water management and improved agricultural productivity. Mr. Tanui was appointed as the **Irrigation Secretary**; Land Reclamation, Climate Resilience & Irrigation Water Management in the State Department for Irrigation. He Holds an **MSc. Agricultural Production Chain Management** (VHL, Netherlands), **MBA Strategic Management** (MU,KE), **Dip – Innovations Management** (IBMI, Germany), **PGF**, Post Graduate Fellowship; Irrigation and Water Resources Management -Distinction (University of Queensland – Brisbane, Australia), **BSc** (Agriculture), University of Nairobi – Nairobi, Kenya



MCIPS A. O. Nyambeche is a seasoned procurement and logistics professional with more than 30 years of distinguished service in the Civil Service. He holds a Master of Science in Procurement and Logistics from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and a Bachelor of Commerce in Business Administration from the University of Nairobi.



CPA Daniel Kihara Mutune holds a Master of Business Administration (MBA) and a Bachelor of Arts degree (Second Class Honours) from the University of Nairobi. He is a Certified Public Accountant of Kenya (CPA-K) and an active member of the Institute of Certified Public Accountants of Kenya (ICPAK). With over 11 years of experience in Public Finance Management (PFM) in the Kenyan public sector, he has served in senior leadership roles in both the Water Sector and the Ministry of Defence.



CPA Samuel K. Kungú is a holder of Masters in Science in Development Finance, Bachelor of Commerce Degree (Finance) from KCA University and CPA(K) from Strathmore University. He has 27 years of experience in Accounting and Finance. He is a member of Institute of Certified Public Accountants of Kenya (ICPAK) and Development Finance Institute of Kenya. I joined State Department for Irrigation as the Head of Accounting Unit in April 2018.

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5. Statement by the Cabinet Secretary



The State Department for Irrigation is within the Ministry of Water, Sanitation and Irrigation. It was initially established in October, 2022 through Executive Order No. 1 of 2023 which created the State Department for Water and Sanitation and the State Department for Irrigation.

Our overall Vision as a Ministry is Universal access to adequate, safe and sustainably managed water resources, sanitation and irrigation while our Mission is to facilitate good governance in the conservation, protection, water harvesting and storage, development and management of water resources, sanitation and infrastructure, irrigation and land reclamation for national socio-economic development.

In line with the Public Finance Management Act, 2012 which requires that, at the end of each financial year, the Accounting Officer for a National Government State Department of Irrigation to prepare financial statements in respect of that State Department of Irrigation and that; we fully comply with applicable Government Regulations and the terms of external financing covenants for funds received from external donor other than the ex-chequer; this statement aligns to the requirements.

We lay bare the utilization of public resources to Kenyans. I promise to take necessary actions against all recommendations that will be made by the auditing entity. This will ensure that public resources are efficiently utilized by all entities under my watch. It is therefore my hope that the report presents true facts of expenditure and will enable Kenyans to determine the utilization of their resources in all categories of expenditure.

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.....
Eng. Eric Murithi Mugaa
Cabinet Secretary

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Statement by the Accounting Officer



During the review period, the Budget allocation for the department was Kshs. 19,641,339,650 in while actual expenditure was Kshs. 19,003,211,994 translating to 96.75% absorption rate. The Recurrent approved budget was Kshs 1,386,749,650 (inclusive of 358,000,000 A-I-A) against an expenditure of Kshs. 1,379,233,080 translating to an absorption rate of 99.46%. Further, the approved Development budget was Kshs. 18,254,590,000 against an expenditure of Kshs. 17,623,978,913 translating to an absorption rate of 96.55%. The department's recurrent and development expenditure, per programme and sub-programme is presented below from *Tables 1 to 3*. **Table 1: Analysis by Category of Expenditure (Recurrent in Ksh)**

Vote and Vote Details	Economic Classification	Approved Estimate FY 2024/25	Expenditure as at 30th June, 2025
Vote 1104: State Department for Irrigation			
	Gross	1,386,749,650	1,379,233,080
	AIA (Appropriations-in-Aid)	358,000,000	357,108,790
	Net	1,028,749,650	1,022,124,290.25
	Compensation to Employees	232,207,231	231,020,683
	Use of Goods and services	48,179,500	42,941,158
	Grant Transfers to SAGAs	1,104,832,919	1,103,941,709
Other Recurrent	1,530,000	1,329,531	

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Analysis by Category of Expenditure (Recurrent in Ksh M)

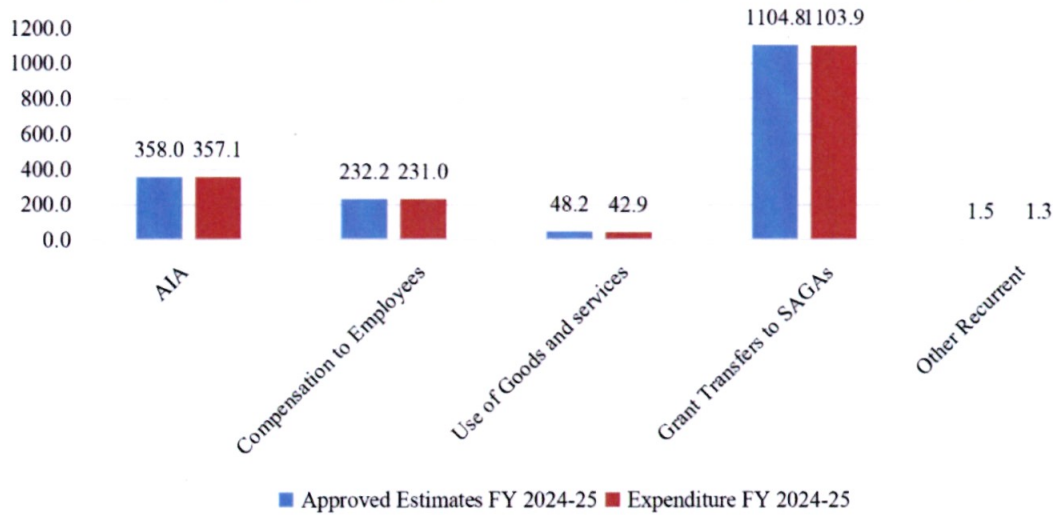
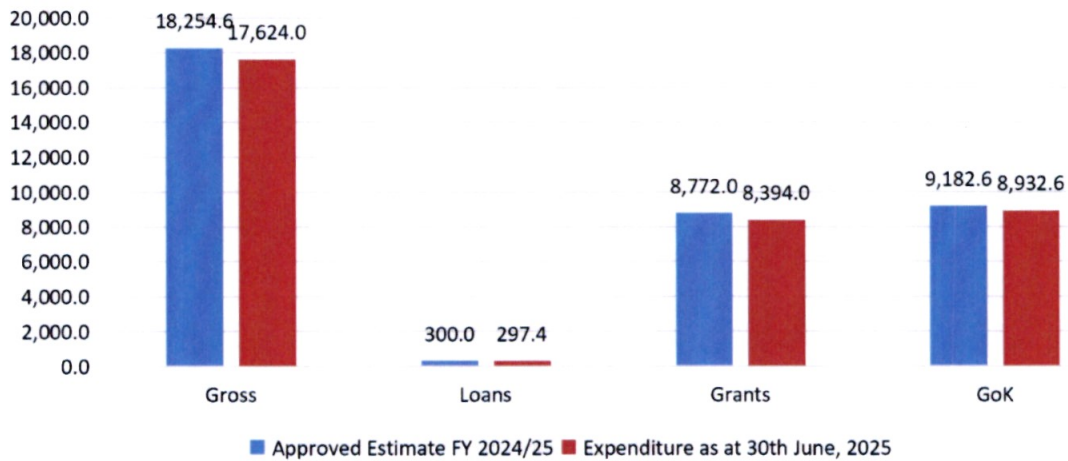


Table 2: Analysis by Category of Expenditure (Development in Ksh)

Vote and Vote Details	Description	Approved Estimate FY 2024/25	Expenditure as at 30th June, 2025
Vote 1104: State Department for Irrigation	Gross	18,254,590,000	17,623,978,913
	Loans	300,000,000	297,365,270
	Grants	8,772,000,000	8,393,969,723
	GoK	9,182,590,000	8,932,643,920

Analysis by Category of Expenditure (Development in Ksh M)



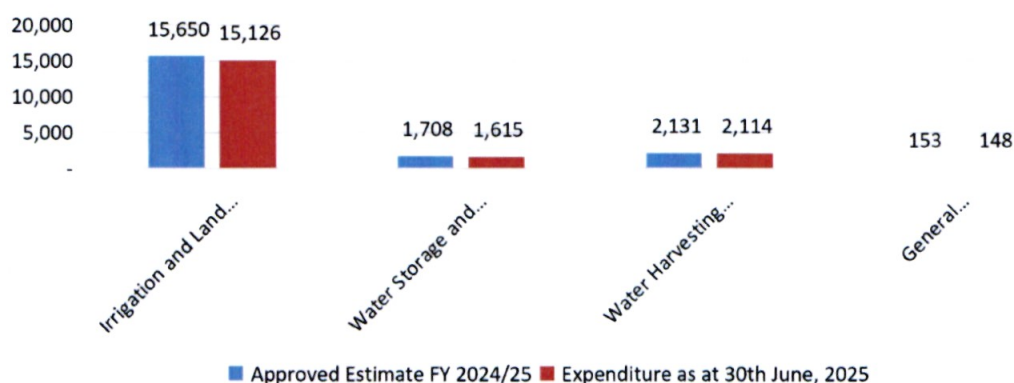
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Table 3: Analysis by Category of Expenditure (Programmes in Ksh)

Programme	Approved Estimate FY 2024/25	Expenditure as at 30th June, 2025
Programme 1: Irrigation and Land Reclamation		
1014020 Land Reclamation	122,113,520	120,906,754
1014030 Irrigation and Drainage	15,260,256,559	14,741,138,817
1014040 Irrigation Water Management	267,215,660	263,560,421
Total Programme 1	15,649,585,739	15,125,605,992
Programme 2: Water Storage and Flood Control		
1015010 Water Storage and Flood Control	1,487,862,000	1,486,726,551
1015020 Water Harvesting	220,000,000	128,481,257
Total Programme 2	1,707,862,000	1,615,207,807
Programme 3: Water Harvesting and Storage for Irrigation		
1022010 Water Storage for Irrigation	909,000,000	893,876,324
1022020 Water Harvesting for Irrigation	1,222,304,860	1,220,439,339
Total Programme 3	2,131,304,860	2,114,315,662
Programme 4: General Administration, Planning and Support Services		
SP 5.1 Administrative Services	152,587,051	148,082,532
Total Programme 4	152,587,051	148,082,532
TOTAL VOTE	19,641,339,650	19,003,211,994

Expenditure Category by Programmes FY 2024-25 (KShs M)



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The State Department achieved notable milestones in expanding irrigation and improving water resource management. The area under irrigation increased by 29,699.06 acres, bringing the total to 762,767 acres, while water harvested and stored for irrigation rose by 7.37 million cubic meters to reach 170.5 million m³. Paddy rice production also recorded a growth, rising from 282,152 tonnes to 293,950 tonnes. Key infrastructure outputs included the construction of 11 small dams, 85 water pans, 24.56 km of flood mitigation structures, and 3 check dams. Additionally, 34 boreholes were drilled and equipped, 16 greenhouses installed under the Micro-Irrigation Programme for Schools, and 18 community-managed irrigation projects established, covering 13,325 acres annually.

Strategic projects were also progressed including the completion of Galana Kulalu Food Security water storage infrastructure including 450,000 M³ reservoir to support food production and the approval of Selu Limited by PPP directorate to put food production in 20,000 acres. The private party has commenced seed maize food production. During the year, His Excellency the President Dr William Ruto CGH commissioned Bura Irrigation Scheme gravity intake and canal to expand irrigation for 25,000 acres. Lower Nzoia food security project gravity was completed to support 12,600 acres in Siaya and Busia Counties. Further, the State Department undertook financial restructuring for construction of Galana Dam that will facilitate the development of irrigation infrastructure to support additional 180,000 acres under production. A Memorandum of Understanding (MoU) between the Al Dahra Group LLC, National Irrigation Authority and Agricultural Development Corporation to conduct soil test for food production in 180,000 acres.

Other notable achievement included feasibility studies for large-scale dams, irrigation of 11,050 acres under major projects, and 1,811 acres under the Turkana project, yielding 2,693 tonnes of maize. Furthermore, 87 Irrigation Water Users Associations (IWUAs) received capacity-building support, and 20 performance audits were conducted alongside the promotion of a new irrigation technology. Mwache Multipurpose Dam project completion rate increased from 4% to 44%.

Despite these achievements, the department encountered several challenges including inadequate funding, which hindered attainment of set targets such as the Bura Irrigation Scheme (only 2,000 acres rehabilitated against 4,492 planned) and the National Expanded Irrigation Programme (12,125 acres irrigated vs. 30,600 targeted). Donor-funded projects like KWSCR-II also suffered from delays in counterpart funding, Land acquisition and resettlement delays disrupted timely completion of set milestones while inadequate capacity in irrigation practices limited efficiency and productivity. Additionally, environmental and security issues including land degradation, flooding, and regional

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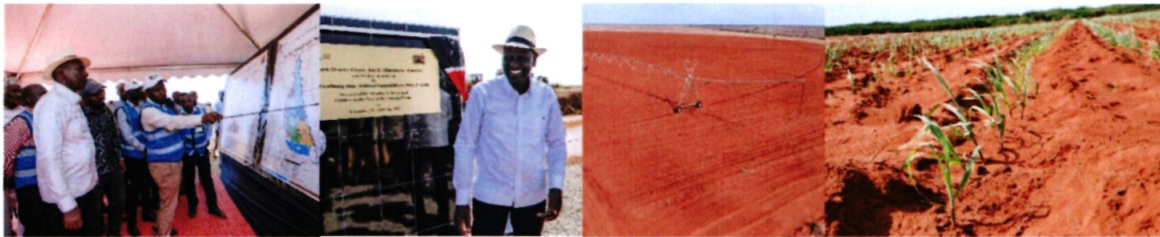
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insecurity further constrained progress. For example, insecurity in Turkana reduced targeted irrigation coverage from 1,430 to 850 acres.

Below is pictorial presentation of some of the projects implemented by department during the period under review;



H.E the President inspected Galana reservoir 16th May 2025 and Mr Felix Koskei EGH inspecting commenced food production



H.E the President commissioned the Bura Irrigation Scheme Gravity Canal Lot 2 (Korakora - Nanighi) in February 2025 and sugar cane food production has commenced among other crops



PCEA Girls Secondary School Micro Irrigation project successfully completed and commissioned in July 2024.



32m high Intake Tower and Diversion Channel in Muruny (siyoi) Dam, Kapenguria water project

*Dam ,
Mwac*

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Twin Conveyance at Nithi Kari irrigation project



Flocculation Basin in Water treatment in Maruny (siyoi) Dam, Kapenguria water project



Farmers in the rice field plantation in Ahero Irrigation Scheme



Cyclopean Dam Embarkment in Muruny (Siyoi) Dam, Kapenguria water project

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Elevated tank tower in Rapora Mixed Secondary School



Embarkment wall in Sugutek Earth Dam



The status of work on Mwache Multipurpose Dam body

Active Irrigation in Lowe Sabor Irrigation Development project

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During the financial the country faced high prolonged rainfall that caused floods and runoff water that destroyed some irrigation infrastructure. Some farmers and communities were displaced affecting the utilization of irrigation infrastructure. Meanwhile, the need for county-specific land degradation and irrigation scheme mapping has become urgent for accurate reporting and targeted interventions. The adoption of energy-efficient technologies is also critical to enhance climate change resilience in the irrigation sector.

To address these issues, the department is implementing a range of strategies. These include adopting a cost-sharing model to promote project ownership and sustainability, and mobilizing resources through development partners and or PPPs. Additionally, the department has already developed the National Irrigation Sector Investment and Financing Plan (NISIP) 2025-2035, a strategic framework now being operationalized to streamline resource allocation and enhance coordination in irrigation investments across the country.



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CPA, Ephantus K. Kimotho, CBS
Accounting Officer

STATE DEPARTMENT FOR IRRIGATION

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7. Statement of Performance Against Predetermined Objectives for FY2024/2025

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer presents a statement of performance against predetermined objectives of the MDA.

The key strategic objectives as per the State Department for Irrigation strategic plan for FY 2023 - FY 2027 are to:

- (i) Increase capacity of water stored for irrigation from 128.6MM³ in 2023 to 646MM³ by 2027;
- (ii) Increase area under irrigation from 711,933 acres in 2023 to 1,211,530 acres by 2027;
- (iii) Increase irrigated produce (Rice) from 192,299 tonnes in 2023 to 700,000 tonnes by 2027; and
- (iv) Reclaim 6,750 acres of degraded land by 2027.

Expenditure in the FY2024/25 were geared toward to realization of the aforementioned strategic objectives as captured in the Strategic plan for FY 2023 to 2027. Linked to these objectives are specific programmes outcomes and outputs and performance indicators. The implemented programmes should be tabulated against actual achievements in the format presented in the table below, on programme performance, to demonstrate the progress towards achievement of the predetermined objectives.

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Table 1: Programme performance

The table below presents the non-financial performance of the key output indicators against set targets.

Program/ Project	Outputs	Output Indicators	Achievement for FY 2024-25		Cumulative Achievement as at end of FY 2024-25		Remarks
			Planned Targets	Achievements	Target	Achievements	
Programme 2: 1014000 Irrigation and Land Reclamation							
Strategic Objective: To increase agricultural productivity through irrigation and drainage services							
Outcome: Enhanced utilization of land through irrigation, drainage and land reclamation							
Sub-Programme: Land Reclamation							
Land Reclamation Policy and Legal Framework	Land Reclamation Policy and Bill	Land Reclamation Policy	1	0	1	0	Land Reclamation policy subjected to stakeholders' validation The Cabinet memorandum done and is awaiting submission to the Cabinet. Drafting of the Bill initiated.
		Land Reclamation Bill	1	0	1	0	
Land Degradation	Land Degradation Assessment Reports	No. of LADA reports	4	2	12	6	Land Degradation Assessment reports for Middle Tana, Mara (Talek) regions finalized
		Acres of land reclaimed,	1,350	1,154	57,173	59,232	Lack of budget allocation for land reclamation.

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Program/ Project	Outputs	Output Indicators	Achievement for FY 2024-25		Cumulative Achievement as at end of FY 2024-25		Remarks
		rehabilitated and restored					
							1,154 acres rehabilitated in Mwache dam Catchment Area under KWSCR II Project funding.
Land Reclamation for Climate Resilience & Livelihood Enhancement	Griftu Water Pan (600,000M3)	Vol in Cubic metres	100%	45%	100%	45%	Griftu Water Pan (600,000M3) in West Wajir County for irrigated pasture production under implementation.
Sub-programme: Irrigation and Drainage							
Small Holder Irrigation Programme	5 projects completed	Area under irrigation (acres)	1,300	1,313	6,760	6,773	All targeted irrigation schemes were constructed and completed
Bura Irrigation Scheme	Land rehabilitated and put under irrigation	Total No. of acres rehabilitated	4,492	2,000	7,000	6,000	The area rehabilitated during the FY 2024/25 was 2,000 acres, falling short of the annual target. This was due to the budget cuts experienced during the financial year.
	Bura Gravity Canal	% completion	100	93.77	100	93.77	Water is flowing to the scheme by gravity. Completion of the remaining works is ongoing; Budgets cuts, inter-ethnic clan fighting and Delayed disbursement

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Program/ Project	Outputs	Output Indicators	Achievement for FY 2024-25		Cumulative Achievement as at end of FY 2024-25		Remarks
							of the funds affected project progress.
1104100600 Community Based Irrigation Projects	Land put under Irrigation.	No. of acres of irrigation area.	1300	1,200	9,500	7,700	
National expanded irrigation Programme	Area put under irrigation	No. of acres developed	15,540	12,215	260,000	256,497	
Galana Kulalu Food Security Project	Land under crop production	No. of acres in model farm planted	1,300	1000	10,000	1,000	In Q4, the private party commenced cropping on 1,000 acres of seed maize.
	Galana Model Farm (10,000 acres)	% completion	100	99	100	99.9	Irrigation infrastructure for 10,000 acres completed including center pivots, conveyance and distribution lines, gensets and pumps installed. 2. Reservoir works including intake works and pump house, inlet canal, outlet canal, main reservoir and offtake reservoir completed.
Mwea Irrigation	Area under irrigation	No. of acres	35,000	30,600	35,000	30,600	Thiba Dam construction is complete & in use. Works

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Program/ Project	Outputs	Output Indicators	Achievement for FY 2024-25		Cumulative Achievement as at end of FY 2024-25		Remarks
Development project (Thiba Dam and Irrigation Area)	developed						for the irrigation area development are ongoing. Lot 1 works are 45% and Lot 2 works are 86% complete and ongoing. The scheme was able to realize 160,297 tons of paddy from 30,600 acres under crop.
Rwabura Irrigation Project	Land put under Horticultural farming	No. of acres under irrigation	0	0	1,500	1,500	1,500 acres were achieved in FY 2023-24. The Project was in defects liability period; Contractor attending to defects caused by floods and land slide in the forest.
Turkana Irrigation Project	Land put under Irrigation	No. of acres under irrigation	1,645	850	16,200	16,200	Of the total acreage, 4,000 acres not functional. Works are ongoing in the Lokapel, Nadoto & Naoros irrigation projects. The delay was a result of security challenges in the area, which halted the progress of the works.
1104101700 Kenya Water Security & Climate Resilience	Lower Nzoia Irrigation infrastructure completed	% completion	90	91	90	91	Construction of tertiary canals and related structures in Block BC 2 to command an irrigable

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Program/ Project	Outputs	Output Indicators	Achievement for FY 2024-25		Cumulative Achievement as at end of FY 2024-25		Remarks
(Prj Advanced). (KWSCR-P-I)							area of 2,200 acres.
1104101500 Lower Kuja Scheme Irrigation	Area under irrigation developed	No. of acres	1,145	2,200	7,000	7,000	Construction of tertiary canals and related structures in Block BC 2 to command an irrigable area of 2,200 acres.
1104101800 Water Security & Climate Resilience Prj KWSCR-P-II Mwache Dam Phase I	Mwache Dam Constructed	% completion of project	35	44	30	45	
1104102000 Drought Resilience Program in Northern Kenya	Water harvesting structures constructed	No. of water Pans	50	11	50	11	There are delays in approval of the CGAA bill which allows funds to be transferred to the Counties. Preparation of tender documents for Turkana County is ongoing for AIP2.
1104104200 Upgrading of Ahero Irrigation Development	Ahero Irrigation Development Project upgraded	% completion	50	27	50	27	The project is at the final design stage and is ongoing; it is scheduled to for ground breaking in September 2025

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Program/ Project	Outputs	Output Indicators	Achievement for FY 2024-25		Cumulative Achievement as at end of FY 2024-25		Remarks
Project							
1104104501 Balich - Abdisamet Irrigation Project	Area under irrigation	% completion of the infrastructure project	60	50	60	50	
1014040 Irrigation Water Management							
1104103700 Irrigation Sector Reform Programme	Irrigation Licensing Unit operationalize d	Irrigation scheme licensing unit established and operational	1	1	1	1	
	Technical support to Counties to form CIDUs	No of Counties supported	12	0	12	0	
	CIDUs capacity built on development of policy instruments	No. of CIDUs Capacity built on development of policy instruments	12	0	12	0	
	Irrigation schemes Licensed	No. of licensed irrigation schemes	50	6	50	6	
	Irrigation service providers	No. of irrigation service providers registered	20	0	20	0	

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Program/ Project	Outputs	Output Indicators	Achievement for FY 2024-25		Cumulative Achievement as at end of FY 2024-25		Remarks
	Registered						
WATER HARVESTING AND STORAGE FOR IRRIGATION							
1022010 Water Storage for Irrigation							
1104103000 Development of Large-Scale Multi-Purpos e Dams	Feasibility studies for PPP Undertaken	No. of studies	6	8	6	8	Feasibility studies for 8 PPP projects complete and presented ie :- New Gogo, Radat, Lowat, Turkwel lower, Bosto, Galana downstream, Isiolo, High Grand Falls.
Rehabilitatio n of Strategic Water Facilities	Strategic water harvesting facilities De-silted	Volume in cubic metres	1,400,000	1,662,000	7.2	7,374,092	
1022020 Water Harvesting for Irrigation							
1104103600 National Irrigation Authority–Dr ought Mitigation projects	Drought Mitigation projects developed	% Completion of projects	100	100	100	100	Works are at 100% complete and the water pans with a capacity of 1.9 cm3 have harvested water from the last rains received.
1104104300 National Irrigation Authority Irrigation	Irrigation services	No. of acres developed	80	0	80	0	Works ongoing at Bondo Clusters - Ugambe irrigation project. The progress is at 35% complete and ongoing.

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Program/ Project	Outputs	Output Indicators	Achievement for FY 2024-25		Cumulative Achievement as at end of FY 2024-25		Remarks
Projects							
1104104700 Programme for enhancement of water productivity, production and sustainability of Irrigation Schemes (PEWaPPSIS)	Schemes performance assessments undertaken.	Number of performance assessment reports	10	12	10	12	Target not met but Trainers Modules 1-7 reviewed
	IWUA Trainers manuals developed	Number of IWUAs Trainers Manuals developed	7	0	7	0	Works are at 100% complete and the water pans with a capacity of 1.9 cm ³ have harvested water from the last rains received.
	IWUAs registered and trained	Number of IWUAs registered and trained	20	21	20	21	Target was achieved.
Micro Irrigation Programme for School	Public schools equipped with boreholes, greenhouses and irrigation	No. of public schools with micro-irrigation projects	15	8	110	103	Kamumu pri, Barwessa Sec, Kuno LCBP Pri. , Lenginet Pri, Lolwe Pri, Queen of Peace Sec, Muguga Pri, and Alfred Pri at 100% complete; Friend sec. Sirende,

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

Program/ Project	Outputs	Output Indicators	Achievement for FY 2024-25		Cumulative Achievement as at end of FY 2024-25		Remarks
	kits						Olooltepesi Pri, Malkadaka Pri, Soipan, and Ganda at varying % completion.
Household Irrigation Water Harvesting Project	Water Storage Capacity achieved	Volume in Cubic meters of water pans excavated	5,625,000	2,174,077	60,000,000	55,942,000	1,545 Household water pans constructed with a capacity of 2,174,092 cubic metres.
Programme 3: 1017000 Water Storage and Flood Control Programme							
1022020 Water Storage for Irrigation							
1104102100 Flood Control Works	Dykes constructed	No. of Kilometres constructed	4.55	24.56	100	105.56	
	Check dams constructed	No of check dams constructed	2	3	2	3	
1104102200 Siyoi-Murun y Water Project	Siyoi-Muruny Dam and Water Supply constructed	% completion	93.5	91	93.5	91	Affected by budget cuts
1104102300 Umaa Dam	Umaa Dam constructed	% Completion	76.6	78.24	76.6	78.24	In progress

8. Governance Statement

a) Leadership structure

The State Department for Irrigating is under the Ministry of Water, Sanitation and Irrigation. The Cabinet Secretary Eng. Eric Mugaa is the head of the Ministry. He is an engineer by profession.

Below the Cabinet Secretary there is a structure of Chief Cabinet Secretaries (CAS). Two were appointed but due to annulment of the appointment by the High Court, they did not take up the appointment hence existence of vacancy in that establishment.

The Ministry is further divided into two State Departments namely; State Department for Irrigation and State Department for water and sanitation

The two State Departments are administratively managed by Principal Secretaries. The Principal Secretary for Irrigation is Mr. Ephantus K. Kimotho

The Principal Secretary is appointed by the national Treasury as the Accounting officer whose duties are to ensure proper utilization of funds as appropriated by the national Assembly. He is also the Authorized Officer appointed by the Public Service Commission. This is to ensure the management of all human resource in the State Department on behalf of the PSCK.

b) Management Committees and their roles

the following management Committees are established:

i. Corruption Prevention Committee

chaired by PS with members from all heads of directorates and Secretary is the chairperson of Integrity Assurance Officers.

Its roles are: conducting of corruption and bribery risk assessments and development of mitigation plans and measures, training and awareness, monitoring implementation of service charter, enforcement of code of conduct and ethics, management of registers on conflict of interest, and gifts received, facilitation of biannual declaration of Assets, Income and Liabilities by employees of the State Department.

ii). Gender and Disability Mainstreaming

its roles are formulation and implementation of strategies to achieve employment of persons with disabilities, promote measures that ensure persons with disabilities access services, implementation of measures that check on workplace gender-based violence.

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iii). Human Resource Management Advisory Committee

roles: recruitment, selection and appointments; promotions, confirmation in appointments, training development, induction of new staff, training impact assessment, deployment, implementation of national values and principles investigation of malpractices among staff, recommendation of retirement under 50-year rule, recommendation of retirement on voluntary basis, recommendation of contractual engagements and disciplinary control.

iv. national values and Cohesion Committee

implementation of activities for realization of Kenya Kwanza Agenda, enhancing collaboration between the national and county governments, enhancement of use of ICT and service innovation measures.

iv. Service delivery committee

development of citizen's service charter, sensitization of staff on requirements of the service charter, resolutions of complaints received.

c) Risk management, compliance and conflict of interest

There is robust internal audit unit which is independent from the state department. The department is charged with prevention and detection of financial irregularities and risk and recommends actions.

There are also strategies for taking disciplinary measures against individuals who breach the set code of conduct.

The state department has a Monitoring and evaluation Unit which tracks all projects to ensure timely implementation, proper utilization of resources and meets the set objectives.

The corruption prevention committee has been put in place with its work plan.

d) public participation activities

All policies and projects affecting the community are vetted by the public which shall be affected by such projects or policies and laws. This is to ensure that they capture what the public require before they are implemented or passed into law.

e) Compliance with Laws and regulations

The state department ensures that the following laws are complied with:

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- In all our deliberation we observe the Kenya constitution 2010 especially the section on values and principles when enacting laws and policies that affect the people we serve.
- Before procurement of services and commodities the public procurement and disposal act
- Public officer ethics Act is observed
- Public service commission act 2017 and regulations

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9. Management Discussion and Analysis

Key Programs/projects or investment decisions implemented or ongoing.

The following key programmes and projects are being implemented by the state Department.

Land Reclamation

- (i) Land Reclamation Policy was finalized for presentation to Cabinet for Approval while the Land Reclamation Bill is being prepared.
- (ii) Two Land Degradation Assessment (LADA) for Middle Tana and Mara (Talek) regions were undertaken and reports were produced and disseminated.
- (iii) 1,154 acres were rehabilitated in the Mwache dam catchment (under the KWSCR II project), raising total restored area to 2,427 acres against a 1,950-acre target.

Smallholder and Community Irrigation Projects- Under the Small Holder Irrigation Program, five irrigation projects were constructed installing 1,313 acres with irrigation infrastructure, Additionally, 18 irrigation projects under Community-managed irrigation program were established, 13,325 acres of land put under irrigation, and 2,174 household water pans constructed.

Expansion of Public Schemes

Bura Irrigation Scheme

Bura Irrigation Scheme project Lot 1 and II were progressed to 99% and 95% respectively allowing the gravity flow of water to the scheme, discontinuation of electric pumping of water, and realization of Kshs 120M savings annually. In addition, 2,000 acres in the scheme were though short of the targeted 4,492-acre due to budget cuts.

Mwea Irrigation Development Area

The Project in ongoing with Lot 1 and Lot 2 works progressed to Mwea/Thiba project, 30,600 acres were under irrigation (vs 35,000 target) and supported by the 15million cubic meter Thiba Dam Double cropping under the new dam yielded 381,800 tons of rice in FY2024/25.

The Rwabura horticultural project was completed, commanding 1,500 acres (100% of target) although it was affected by landslides and needs some rehabilitation works at a cost of around Kshs 30M.

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Large Scale Irrigation Projects

The Turkana Irrigation development had 850 acres installed with irrigation infrastructure from in Lokapel, Nadoto and Naoros) against a target of 1,430-acre while at Lower Kuja, an additional 2,200 acres were put under irrigation.

Large Dam Projects

Under the World Bank-funded Water Security & Climate Resilience Projects (KWSCRIP), the Lower Nzoia irrigation project had 4,750 acres installed with irrigation infrastructure and ready for production.

The Construction of Mwache dam was progressed to 45% during the review period, with the lower check dam construction progressed to 70% completion levels. In addition, KShs 399,683,060 was availed to National Land Commission for compensation of 301 Project Affected Persons in Priority Areas 3b.

Public-Private Partnership (PPP) Projects

The State department is implementing a number of Strategic projects under PPP. These includes the Galana Kulalu Food Security Project where a private party has commenced food production for 20,000 acres and another proponent is conducting soil tests for 180,000 acres. Bura Irrigation Scheme where some private parties have commenced demo trials for commercial sugarcane and rice farming. High Grand Falls Dam (advertised); Thuci Dam; Isiolo Dam; Turkwell Dam downstream irrigation development; Thwake dam downstream irrigation development among others.

MDA’s compliance with statutory requirements

The State Department for irrigation complied with all the statutory requirements.

Major risks facing the organisation.

Category	Risks	Risk Likelihood	Severity (L/M/H)	Overall Risk Level (L/M/H)	Mitigation Measure(s)
Strategic	Stakeholder/community resistance to Programmes/projects	High	High	High	Effective stakeholder/ community engagement. Enhance Public participation
	Resistance by Project affected Persons	medium	High	medium	Resettlement Actions Plan & livelihood support

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Category	Risks	Risk Likelihood	Severity (L/M/H)	Overall Risk Level (L/M/H)	Mitigation Measure(s)
Policy/Legal Changes	Change of use of land under irrigation	Medium	Medium	Medium	- Designation and gazettelement of irrigation land
	Inadequately regulated land reclamation	High			Finalization of the land reclamation Bill
Financial	Inadequate budget allocation	High	High	High	-Mobilize alternative funding
	Uncertain Commercial / Financial Viability of PPP projects	Medium	High	Medium	Structuring of PPP projects to identify, allocate and translate risks into Contract Structure.
	Delayed funds disbursement	High	High	High	-Mobilize alternative funding
Political	Political influence in resource distribution	Medium	High	High	Clear criteria for Mapping, selection of sites and prioritization of programmes
	Changes in political landscape	Medium	Medium	Medium	Effective engagement with the Executive
Technological	Rapid technological advancements	High	Medium	Medium	-Investment in technological advancement
	Cyber Security	High	High	High	-User rights, Firewalls to prevent intrusions -Anti-phishing software
Environmental	Soil Salinization, Waterlogging, erosion, and depletion of groundwater resources	High	High	High	Environmental and Social Impact Assessment Environmental Management plan Enforcement of regulations and standards
Climate Change	Extreme weather conditions such as floods, droughts and rising temperatures	High	High	High	Building climate resilience into design models for water harvesting, storage and reservoirs.
	Inadequacy of water resources	High	High	High	• Harvesting and storage of water for irrigation • Inter-basin transfer
Social	Social and cultural conflicts	High	High	High	Conflict Resolution mechanisms Sensitization of stakeholders
	Resource conflicts	High	High	High	• Equitable distribution of resources • Securing social benefits for affected communities

Material arrears in statutory and other financial obligations.

There were no material errors noted in the financial year. The entity's financial obligation includes trade payables and provisions relating to payment of gratuity amounting to Kshs. 318,485,620.

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Review of the economy and sector.

Agriculture remains vital to Kenya's economy, contributing 22% of GDP directly and another 27% of GDP indirectly. Most farming is rainfed, making food production vulnerable to droughts and climate variability. Only about 9% of Kenya's 1.342 million hectare irrigation potential has been developed, underscoring the gap. This shortfall has prompted policy focus on irrigation: the 2017 National Irrigation Policy and Vision 2030 targets emphasize expanding water storage and irrigation infrastructure. The government's recent water sector strategy also highlights Kenya's "growing water demand and scarcity" under climate change.

However, fiscal pressures have constrained irrigation programs. In FY2024/25 many projects experienced budget cuts, causing shortfalls in some targets. For example, Bura's rehab area was halved by spending cuts. Procurement and land acquisition delays (e.g. at Lower Nzoia) and security issues (e.g. at Bura and Turkana) are recurring implementation risks. Floods in late 2024 disrupted earthworks in Mandera/Wajir and Turkana irrigation Projects. Farmers' cropping choices also influence outputs. Seed maize production was dropped after shifts to rice cultivation in Bura. On the positive side, public programs to intensify agriculture and climate adaptation including the Kenya Water Security and Climate Resilience Projects are expanding storage (Thiba, Mwache dams) to buffer rains. These developments align with broader goals of building climate resilience in agriculture

Future developments

The State Department for Irrigation aims to increase agricultural productivity through expanded and improved irrigation and land reclamation. The State Department has launched a new National Irrigation Sector Investment Plan (NISIP) to guide future investments along five strategic pathways, as discussed below.

1. Enabled Corporate Agribusiness: Mobilizes large-scale private agribusiness and public funds to bridge the sector's financing gap. By attracting corporate partners and dedicated funding, this pathway aims to make high-cost projects viable (addressing past underinvestment).
2. Expanded Farmer-Led Irrigation Development: Supports scaling up of smallholder and community schemes. By providing technical and financial support to farmers, this pathway seeks to expand irrigated areas through farmer-managed projects, helping more households adopt irrigation.

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3. High-Performing Public Schemes: Focuses on revamping existing government-run irrigation projects to improve efficiency and yields. It targets underperforming public schemes (like Mwea, Bura etc.), upgrading infrastructure and management to close the service-delivery gap.
4. Revitalized Irrigation in ASALs: Invests in water harvesting and small-scale irrigation in arid and semi-arid lands (ASALs). This aims to enable food and fodder production for pastoral and marginal communities by capturing rainwater/laggas flows into pans and bunds, addressing the lack of irrigation in drought-prone areas.
5. Maximized Community Scheme Benefits: Strengthens governance of community irrigation schemes. By building farmers' capacity and institutions, this pathway ensures existing schemes are maintained and new community-driven projects are developed, filling gaps in local-level irrigation planning

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10. Environmental and Sustainability Reporting

The Irrigation Department is at the helm in facilitating sustainable agricultural development and food security for the progressively increasing population & economy of the state, through ethical and scientific use of water. The Department unify the environmental vision of all key stakeholders; i.e. employees management, partners, shareholders, customers and suppliers.

The policy to exploit the irrigation potential by increasing the area under irrigation in every year. National irrigation policy proposes a broad range of measures and actions responding to key environmental issues and challenges.

a) Sustainability strategy and profile

To offer these services and maintain the strategy, the Department must improve the utilization of Land through Irrigation, Drainage and Land Reclamation by:

- I. Developing Policies and Legal framework on sustainable Irrigation and drainage systems
- II. Increasing area under irrigation
- III. Reclaim poorly drained and degraded land while being sensitive to the Ecosystem and;
- IV. Exercise flood control management.

The Department also incorporates economic, environmental and social factors to its policies, practices and processes to create long term benefits and for the employees while being mindful of conserving and protecting resources.

b) Environmental performance /climate change/ mitigation of natural disasters

The Department environmental policy proposes to exploit the irrigation potential by increasing the area under irrigation by 40,000 ha per year: to increase available water for irrigation through innovative technologies including water harvesting, flood control, use of wastewater, and sustainable exploitation of groundwater. It has a policy statement in place and ensures legal compliance.

The mitigation of natural disaster i.e. drought is done by re-utilization of water conserving water and always using it wisely among others.

The challenges of managing biodiversity are the high population, pressure on the planet, escalating poverty and conflicts, poor land use practices and inadequate laws. The threat of biodiversity loss are changes in land and sea use, overexploitation, climate change, pollution, and invasive species. To reduce the environmental impact of the organization products, the Department watch energy consumption, recycle old technology, conserve resources and buying in season.

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The Department uses the five practices of waste management which include refuse, reduce, reuse, repurpose, and recycle.

c) Employee welfare

The Human Resource Policies and Procedures Manual for Public Service May 2016, Employment Act 2007 and Circulars issued time to time guides the Department on hiring especially Section B 1 of the Manual. According to Section B 5 of the same Manual, the Department recruitment is undertaken based on fair competition and merit; representation of Kenya's diverse communities; adequate and equal opportunities to all gender, Youth, members of all ethnic groups, persons with disabilities and minorities.

A survey on customer satisfaction is normally carried out once a year to make sure they are well sustained. The customers are allowed to give feedback of the services rendered to them by dropping their satisfaction / complaints notes in the suggestion box provided by the organization.

On the other hand, the employees set individual targets from the departmental objectives where they are appraised quarterly and annually. This helps in coming up with the training needs analysis, in rewarding promoting and creating good relationship their supervisors and other employees. For career growth, the Department offers career advancement, create a learning culture as per training policy and provide recognition for the good performers. To improve skills, the Department use training, job rotation, delegation, coaching, mentoring, on the job training and workshops.

The Department adheres to the Occupational Safety and Health Act of 2007 by compensating all those who are injured/dies while performing the duties they are assigned in their appointment date, provision of personal protective equipment and clothing and management of Health and Safety Programs to reduce harm to employees. The Human Resource Policies Manual (2016) in section FI page 93 provides guidelines and standards for the prevention and protection of offices against accidents and occupational hazards arising from the workplace.

d) Operational practices

The State Department has a service delivery charter in place to make sure that all the work assigned to the Human Resource Division is done within a specified time and the use of (GHRIS) has helped to hasten the payroll activities. The suppliers and all the stakeholders are paid for goods delivered in good time using (IFMIS) and the contracts are awarded to the lowest bidder. The Department sets clear expectations and always develops strong communication channels that ensures there is a mutual understanding between the two parties (Suppliers and organization). This also helps to ensure that the

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company is getting the best possible value for its money by ensuring that suppliers are reliable, efficient, and cost-effective.

The Department benchmarks with highly successful organization in its field by sharing the practices that lead to their success to maximize time, improve quality of work and higher productivity.

For good practices, the Department engages employees, reward achievement, present clear goals, has established a friendly culture to all and follows the five management practices i.e. Planning, Organizing, Staffing, Leading and Controlling.

e) Community Engagements-

This being a department dealing with irrigation and creation of Dams, the community/society at large are the most beneficially in the following ways: They are compensated for the land, use the water for farming, domestic issues, micro irrigation in schools, improvement in crop and quality, more reliable food, employment creation, enhancing of household income in rural sector and recreational purposes among other.

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11. Statement of Management Responsibilities

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a National Government MDA shall prepare 1st transition financial statements in respect of that MDA. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the State Department for Irrigation is responsible for the preparation and presentation of the State Department for Irrigation's 1st transitional financial statements, which give a true and fair view of the state of affairs of the State Department for Irrigation for and as at the end of the period ended on 30th June 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the State Department for Irrigation, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the State Department for Irrigation; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the State Department for Irrigation accepts responsibility for the State Department for Irrigation's 1st transition financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the State Department for Irrigation's financial statements give a true and fair view of the state of State Department for Irrigation's transactions during the financial year ended June 30, 2025, and of the State Department for Irrigation's financial position as at that date. The Accounting Officer further confirms the completeness of the accounting records maintained for the State Department for Irrigation, which have been relied upon in the preparation of the State Department for Irrigation's financial statements as well as the adequacy of the system of internal controls.

The Accounting Officer in charge of the State Department for Irrigation confirms that the State Department for Irrigation has complied fully with applicable Government Regulations and the terms of

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external financing covenants (where applicable), and that the State Department for Irrigation's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the State Department for Irrigation's 1st transition financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The State Department for Irrigation's 1st transition financial statements were approved on _____ 2025 and signed by:



.....
Ephantus K. Kimotho, CBS

Accounting Officer

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR IRRIGATION FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose: and
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying transitional IPSAS financial statements of State Department for Irrigation set out on pages 1 to 32, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of

comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of State Department for Irrigation as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis (including the transitional provisions permitted under IPSAS 33) and comply with the Executive Order No. 1 of 2023 and the Public Finance Management Act, 2012 and the National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Department for Irrigation Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

1. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.313,956,134 and as disclosed in Note 16 to the financial statements. The balance includes a balance of Kshs.99,772,185 that has remained outstanding for more than a year. This was contrary to Regulation 42 (1) of Public Finance management (National Government) Regulation, 2015 which provides that debt service payments shall be a first charge on the Consolidated Fund and the Accounting Officer shall ensure this is done to the extent possible that the government does not default on debt obligations.

Failure to settle bills during the year in which they relate adversely affects the budgetary provisions for the subsequent year.

2. Incomplete Projects

Review of the projects' implementation status report as at 30 June, 2025 revealed that nineteen (19) projects with a total contract sum of Kshs.2,377,169,487 and actual expenditure paid to date of Kshs.856,345,03 had not been completed and were on-going in various stages of completion.

The slow pace of the project implementation may negatively affect service delivery to the public and the intended purpose of the projects may not be actualized.

My opinion is not modified in respect of these matters.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved two issues being, stalled projects and non-disposal of unserviceable assets or given any explanation for failure to resolve them as at 30 June, 2025.

Other Information

Management is responsible for the Other Information set out on page iii to xi which comprise of Key Information and Management, Profile of the Cabinet Secretary, Profile of Accounting Officer and Key Management, Statement by the Cabinet Secretary, Statement by the Accounting Officer, Statement of Performance Against Predetermined Objectives, Governance statement Management Discussion and Analysis, Environment and Sustainability Reporting, Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Compensation of Employees

The statement receipt and payments reflect compensation of employees of Kshs.232,789,584, as disclosed in Note 9(a) to the financial statements. Review of records revealed the following anomalies:

1.1. Non-Compliance with a Third Basic Pay Rule

Analysis of the payroll records revealed that twenty(20) employees earned a net pay below a third of their basic pay during the year under review contrary to Section 19 (3) of the Employment Act, 2007 which provides that, without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

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

1.2. Staff Under Establishment

During the year under review, human resource records provided for audit revealed that the State Department has a staff establishment of five hundred and one (501) staff against one hundred and sixty six (166) staff members in post thus resulting in an overall under establishment of three hundred and thirty five (335) personnel.

This was contrary to section 'B.2 (1) Every Ministry/State Department shall prepare Human Resource Plans to support achievement of goals and objectives in their Strategic plans. The plans shall be based on comprehensive job analysis and shall be reviewed every year to address emerging issues and needs. (2) On the basis of these Human Resource plans, Ministries/State Departments shall be required to develop annual recruitment plans which will be forwarded to the Public Service Commission at the beginning of each financial year to enable it plan to fill the vacancies”.

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

2. Property, Plant and Equipment

2.1. Stalled Project -Anyiko-Ujwangá -Kathieno Irrigation Project, Siaya County

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.533,468,037 and as disclosed in Note 14 to the financial statements which includes an amount of Kshs.95,702,666 advanced to a local contractor for the construction of Anyiko – Ujwang’a Kathieno Irrigation Project with a contract sum of Kshs.478,513,313. The contract was terminated when works completed was at only 21% against a time lapse of 99.9%. On termination, the contractor computed claims amounting to Kshs.336,894,562 incorporating the unpaid certificates, extra works, idle plant and other contractual items emanating from inaction. The matter has since been resolved through arbitration and settlement reached at Kshs.131,642,800. No clear reasons and explanations were provided by

the State Department on the way forward for the project having already paid Ksh.95,702,666.

In the circumstances, the value for money on the amount of Kshs.95,702,666 already paid and further settlement amount of Kshs.131,642,800 to be incurred, all totalling Kshs.227,345,466 could not be confirmed.

2.2. Drilling and Equipping of Boreholes, Construction of Elevated Water Tanks and Drip Irrigation at Ganda Primary School in Kwale County

The statement of financial position reflects balance for property, plant and equipment of Kshs.1,486,990,489 as disclosed in Note 15 to the financial statements. Included in this balance is Kshs.1,474,848,464 for capital work in progress, which also includes Kshs.2,065,300 paid during the year to a local company whose contract sum was Kshs.7,374,000. However, field verification revealed that Performance Bond No. RMB/BBG/TM/EB/1842-23 had expired on 11 April, 2024, the contractor was not on site despite the project being only 10% complete with the last reported presence on site being 27 May, 2024, and the contract period had lapsed.

In the circumstances, the value for money on the expenditure of Kshs.2,065,300 already incurred on the project could not be confirmed.

2.3. Construction of Olopito Irrigation Scheme Project – Narok County

The statement of financial position reflects balance for property, plant and equipment of Kshs.1,486,990,489 as disclosed in Note 15 to the financial statements. Included in this balance is an amount of Kshs.1,474,848,464 for capital work in progress. Which also includes Kshs.25,965,304, paid during the year for construction of Olopito Irrigation Scheme Project in Narok County with a contract sum of Kshs.26,307,022. The scope included rehabilitating of the JICA existing infrastructure (intake and sedimentation basin) and completing works up to the off takes for the feeder lines and related components. However, after completion the project could not function as expected due to severe leakages in the mainline. The scope of the repair works (majorly leakages) on the existing infrastructure required Kshs.11,965,460 comprising of preliminary and general, mainline pipework and repairs, feeder lines, in field system amounting to Kshs.2,790,000, Kshs.1,945,920, Kshs.4,608,737 and Kshs.2,620,802 respectively. Failure to address the leakages risks the Government's investment and prevents farmers from fully benefitting from the project.

In the circumstances, value for money on the expenditure of Kshs.25,965,304 could not be confirmed.

2.4. Construction of Okundi Dam Irrigation Project in Homabay County

The statement of financial position reflects property, plant and equipment balance of Kshs.1,486,990,489 as disclosed in Note 15 to the financial statements. Included in this balance is Kshs.1,474,848,464 for capital work in progress which further includes Kshs.64,958,240 paid during the year for contract awarded for construction of Okundi Dam Irrigation Project - Karachuonyo Sub County in Homabay at a contract sum of Kshs.164,443,911. An agreement contract was signed on 16 January, 2024. Physical inspection done in the month of July, 2025 revealed that the project was ongoing and the followings works had not been undertaken;

- i. Okundi Dam reservoir excavation and fencing.
- ii. Opande Check dam reservoir excavation and fencing.
- iii. Okundi Upstream Check Dam amounting to Kshs.26,046,800.
- iv. Mainline, submains and infields amounting to Kshs.4,825,200.
- v. Water storage component amounting to Kshs.2,954,400

In the circumstances the delay in project implementation may lead to cost over runs.

2.5. Construction of Mbugiti Irrigation Project in Muranga County

The statement of financial position reflects property, plant and equipment balance of Kshs.1,486,990,489 as disclosed in Note 15 to the financial statements. Included in this balance is Kshs.1,474,848,464 for capital work in progress Which includes Kshs.133,190,067 paid during the year for construction of Mbugiti Irrigation Project in Muranga County with a contract period of 24 months, Commencement date of 17 September, 2024 and expected completion date of 17 September, 2026. The project included preliminaries and general, intake works, sedimentation tank, river and gully crossings, conveyance pipeline, main lines, sub-mains, in-field systems for a contract sum of Kshs.379,364,732. A physical inspection carried out in the month of July 2025 revealed that a 4WD vehicle new and unused station wagon SUV of engine capacity between 2,800cc-3,200cc, turbo engine of Kshs.15,500,000 as per the preliminary and general items requirements in the bills of quantity had not been purchased.

In the circumstances, value for money on the amount of Kshs.15,500,00 could not be confirmed.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of a Risk Management Policy

The State Department did not have a Risk Management Policy in place and therefore, Management did not perform undertake formal risk assessments over key financial risk areas including revenue, expenditure and cash management. In the absence of a structured risk management framework, Management was not able to systematically

identify and assess risks, determine their likelihood and potential impact, or design and implement appropriate mitigating controls.

In the circumstances, the adequacy and effectiveness of the State Department's risk management system could not be confirmed.

2. Lack of Information Communication Technologic (ICT) Policy

Review of the State department's ICT environment revealed that there was no formal approved ICT policy, Security policy, Environmental policy, IT Continuity Plan and Disaster Recovery Plan in place.

In the circumstances, the security and reliability of State Department's data including the finance management information system could not be confirmed.

3. Lack of Inventory Management System

Audit of the stores and inventory management maintained by the State Department for Irrigation revealed that the Department was yet to develop a policy on stock management and re-order levels. A manual stock management system was still in use and prone to basic human errors. Hence, the department was not able to run periodic stock reports and was yet to determine the optimal stock levels for basic but crucial items in the stores which was needed for day-to-day operations of the Department.

In the circumstances, the effectiveness of the internal controls on inventory management could not be confirmed.

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

Responsibilities of the Management and those Charged with Governance

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the

activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

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


Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

18 December, 2025

STATE DEPARTMENT FOR IRRIGATION
Annual Report and Financial Statements for the year ended June 30, 2025.


13. Statement of Financial Performance for the period ended 30th June 2025


	Note	Period Ended 30 th June 2025
		Kshs
Revenue from non-exchange transactions		
Transfers from exchequer	6	12,823,466,973
Transfers from Domestic and Foreign Partners	7	5,921,474,981
Total revenue		18,744,941,954
Revenue from exchange transactions		
Miscellaneous income	8	358,000,000
Total		358,000,000
Total revenue		19,102,941,954
Expenses		
Employee costs	9(a)	232,789,584
Use of goods and services	10(a)	42,490,065
Transfers to other government entities	11	17,285,357,489
Depreciation and amortization expense	12	4,907,475
Total expenses		17,565,544,613
Surplus for the period		1,537,397,341

The Financial Statements set out on page 1 to 7 were signed by:



Ephantus K. Kimotho, CBS
Accounting Officer



 **Samuel K. Kung'u**
Head of Accounting Unit
ICPAK M/NO.8836


STATE DEPARTMENT FOR IRRIGATION
Annual Report and Financial Statements for the year ended June 30, 2025.

14 Statement of Financial Position as at 30th June 2025

	Note	Period as at June 2025	Opening Statement
		Kshs	1st July 2024
Assets			
Current assets			
Cash and cash equivalents	13	583,389,276	554,166,430
Receivables from non-exchange transactions	14	533,468,037	333,316,217
Total Current Assets		1,116,857,313	887,482,647
Non-Current Assets			
Property, Plant and Equipment	15	1,486,990,489	-
Total Non-Current Assets		1,486,990,489	-
Total Assets		2,603,847,803	887,482,647
Liabilities			
Current Liabilities			
Trade and other payables	16	313,956,134	120,497,183
Current provision	17a	1,768,901	-
Total Current Liabilities		315,725,035	120,497,183
Non-current liabilities			
Non-current Provision	17b	2,760,585	2,760,585
Total Non-Current Liabilities		2,760,585	2,760,585
Total Liabilities		318,485,620	123,257,768
Net Assets		2,285,362,183	764,224,879
Represented by			
Accumulated surplus		2,285,362,183	764,224,879
Net Assets		2,285,362,183	764,224,879

The financial statements set out on page 1-7 were signed by:


.....
Ephantus K. Kimotho, CBS
Accounting Officer


.....
Samuel K. Kung'u
Head of Accounting Unit
ICPAK M/NO.8836

State Department for Irrigation
Annual Report and Financial Statements for the year ended June 30, 2025.

5 Statement of Changes in Net Assets for the period ended 30th June 2025

	Accumulated Surplus	Total
Fund balance as at 30th June 2024	433,669,247	433,669,247
Adjustments		
Recognition of Assets	333,316,217	333,316,217
Recognition of Liabilities	(2,760,585)	(2,760,585)
As at July 1, 2024	764,224,879	764,224,879
Return to Exchequer	(16,260,037)	(16,260,037)
Surplus for the year	1,537,397,341	1,537,397,341
As at 30th June, 2025	2,285,362,183	2,285,362,183

Note: Kshs. 433,669,247 is the Fund balance brought forward as at 30th June, 2024 under cash basis of accounting and is composed of: -

Audited 2023/2024

Item	Amount (Kshs)
Cash and Cash Equivalents	554,166,430
Less: Refundable Deposits	(120,497,183)
Total	433,669,247

State Department for Irrigation
Annual Report and Financial Statements for the year ended June 30, 2025.

16. Statement of Cash Flows for the period ended 30th June 2025

	Note	Period Ended June 2025
		Kshs
Cash flows from operating activities		
Receipts		
Transfers from exchequer		12,823,466,973
Transfers from Domestic and Foreign Partners		5,921,474,981
Miscellaneous income		358,000,000
Total Receipts		19,102,941,954
Payments		
Employee costs		231,020,683
Use of goods and services		49,182,934
Transfers to other government entities		17,285,357,489
Total Payments		17,565,561,106
Net Cash flows from Operating activities	18	1,537,380,848
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets		(1,491,897,965)
Net cash flows used in investing activities		(1,491,897,965)
Cash flows from financing activities		
Return to Exchequer		(16,260,037)
Net cash flows used in financing activities		(16,260,037)
Net increase/(decrease) in cash and cash equivalents		29,222,846
Cash and cash equivalents at 1 JULY 2024	13	554,166,430
Cash and cash equivalents at 30th June 2025	13	583,389,276

STATE DEPARTMENT FOR IRRIGATION
Annual Report and Financial Statements for the year ended June 30, 2025.

1. 17. Statement of Comparison of Budget and Actual amounts for the period ended 30th June 2025
Recurrent and Development Combined

Description	Original budget	Adjustments	Final budget	Actual on a comparable basis	Budget utilization difference	% of utilization
	A	B	C= a+b	D	E=c-d	F=d/c %
Revenue						
Proceeds from Domestic and Foreign Grants	100,000,000	20,000,000	120,000,000	118,261,901	1,738,099	99%
Transfers from exchequer	16,345,162,500	(3,126,822,850)	13,218,339,650	12,823,466,973	394,872,678	97%
Proceeds from Sale of Assets	231,000,000	-	231,000,000	308,000,000	-77,000,000	133%
Proceeds from Foreign Borrowings	6,406,000,000	(384,000,000)	6,022,000,000	5,803,213,080	218,786,920	96%
Other income	50,000,000	-	50,000,000	50,000,000	-	100%
Total revenue	23,132,162,500	(3,490,822,850)	19,641,339,650	19,102,941,954	538,397,696	97%
Expenses						
Employees costs	205,000,000	27,207,231	232,207,231	231,020,683	1,186,548	99%
Use of goods and services	117,857,500	(69,678,000)	48,179,500	42,490,065	5,689,435	88%
Transfers to other government units	22,799,430,000	(3,440,007,081)	19,359,422,919	18,974,199,243	385,223,676	98%
	23,122,287,500	(3,482,477,850)	19,639,809,650	19,247,709,990	392,099,660	98%
Capital items						

State Department for Irrigation
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Description	Original budget	Adjustments	Final budget	Actual on a comparable basis	Budget utilization difference	% of utilization
	A	B	C= a+b	D	E=c-d	F=d/c %
Acquisition of PPE	9,875,000	(8,345,000)	1,530,000	1,329,531	200,469	87%
Total expenses - Development	9,875,000	(8,345,000)	1,530,000	1,329,531	200,469	87%
Total expenses	23,132,162,500	(3,490,822,850)	19,641,339,650	19,249,039,521	392,300,129	98%
Surplus/ deficit	-	-	-	(146,097,567)	146,097,567	

(a) **Variance analysis:**

- i) The underutilization of the budget in the Use of goods and Acquisition of PPE was due to late exchequer funding.

(b) **Reallocations within the year:**

- i) Kshs. 3,490,822,850 the changes between the original and final budget are as a result of reallocations within the budget.

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

.....


Ephantus K. Kimotho, CBS
Accounting Officer

.....


Samuel K. Kung'u
Head of Accounting Unit
ICPAK M/NO.8836

State Department for Irrigation
Annual Report and Financial Statements for the year ended June 30, 2025.

Budget Reconciliation to the Statement of Cash Flows

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	(146,097,567)
1	Basis difference	191,580,451
2	Classification differences	(16,260,037)
	Opening cash and Cash Equivalent as per the statement of Cash flows	554,166,430
	Closing Cash and Cash Equivalent as per the statement of Cash flows	583,389,276

**State Department for Irrigation
Annual Report and Financial Statements for the year ended June 30, 2025.**

1. Budget Execution by Programmes and Sub-Programmes for period ended 30th June 2025

Programme/Sub-programme	Final Budget	Actual on comparable basis	Budget utilization difference
	Kshs	Kshs	Kshs
Irrigation and Land Reclamation	15,649,585,739	15,389,537,844	260,047,895
Land Reclamation	122,113,520	121,006,054	1,107,465
Irrigation and Drainage	15,260,256,559	15,004,705,918	255,550,640
Irrigation and Water Management	267,215,660	263,825,871	3,389,789
Water Storage and Flood Control	1,707,862,000	1,615,661,317	92,200,683
Water Storage and Flood Control	1,487,862,000	1,487,517,761	344,239
Water	220,000,000	128,143,557	91,856,443
Water Harvesting and Storage for Irrigation	2,131,304,860	2,113,413,530	17,891,330
Water Storage for Irrigation	909,000,000	893,876,324	15,123,676
Water Harvesting for Irrigation	1,222,304,860	1,219,537,207	2,767,653
Water Resources Management	152,587,051	131,476,266	21,110,785
Water Resources conservation and Protection	152,587,051	131,476,266	21,110,785
Grand Total	19,641,339,650	19,249,039,521	392,300,129

18. Notes to the Financial Statements

1. Establishment

The State Department for Irrigation is established by and derives its authority and accountability from Executive Order No. 1 of 2023. The State Department for Irrigation is wholly owned by the Government of Kenya and is domiciled in Kenya. The State Department for Irrigation MDA's principal activity is to undertake irrigation development, water harvesting and storage for irrigation and land reclamation.

2. Statement of Compliance and Basis of Reporting

Statement of compliance

These financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

For the purpose of these financial statements, the State Department for Irrigation has been categorized as a Schedule 1 national government MDA in line with Section 4 of the Public Finance Management Act, 2012 read together with Regulation 211 (2) of the Public Finance Management (National Government) Regulations, 2015. Schedule 1 national government entities include Ministries, Departments, Agencies, constitutional institutions and independent offices. MDAs are reporting entities whose primary objective is to provide policy and coordination of government services.

The use of public resources by MDAs is primarily governed by Chapter 12 of the Constitution, the relevant Appropriation Act, the Public Finance Management Act, of 2012, and the Public Procurement and Disposal Act, of 2015.

The financial statements have been prepared in accordance with the Public Finance Management Act, and the State department for Irrigation has taken advantage of the transitional provisions under IPSAS 33 and therefore these 1st year financial statements are transitional financial statements and the following elements; Non-Financial Assets, Non-Financial Liabilities and inventory of the financial statements have not been recognised. The State department for Irrigation has taken advantage of the transition provisions outlined in IPSAS 33. In line with the 3 year transition roadmap, the State department for Irrigation has recognized Financial Assets and Financial Liabilities for period ended 30th June 2025, further provide for inventories in the financial year ended 30th June, 2026 and Finally provide for Non-Financial Assets and

State Department for Irrigation**Annual Reports and Financial Statements for the year ended June 30, 2025.**

Non-Financial Liabilities in the financial year ended 30th June, 2027 thus complying fully with IPSAS Accrual.

These financial statements were authorized for issue by the Accounting Officer on 30th June 2025.

Reporting period

The reporting period for these financial statements is for the period ended 30th June 2025.

Basis of preparation

These financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period on an accrual basis unless otherwise specified (for example, the Statement of Cash Flows). Under an accrual basis, revenues are recognised when rights to assets are earned or levied rather than when cash is received, and expenses are recognised when obligations are incurred rather than when they are settled. The financial statements have been prepared and presented in Kenya Shillings to the nearest shilling. The accounting policies adopted have been consistently applied to all the years presented.

Critical accounting judgements

IPSAS requires accounting judgements to be made in determining accounting policies that impact the presentation of these financial statements. The most critical of these judgements, and their impact, are:

Recognition of revenue

A revenue is an increase in the net financial position, other than increases arising from ownership contributions. Revenue is required to be measured when the event occurs and when recognition criteria (probable inflow of resources and ability to reliably measure their value) are met. Judgment is required to determine if these criteria are met, particularly where limited evidence is available at the time the revenue is earned.

Recognition of non-exchange expenses and liabilities

A liability is a present obligation of the State Department for Irrigation for an outflow of resources that results from a past event. Expenses (and other liabilities) are recognized when there is a present obligation (legal or constructive) as a result of a past event. An outflow of resources embodying economic benefits will probably be required to settle the obligation and a reliable

State Department for Irrigation

Annual Reports and Financial Statements for the year ended June 30, 2025.

estimate of the obligation can be made. Judgement is required in assessing each of these conditions, and therefore reporting if an expense and a present obligation should be reported.

The State Department for Irrigation pursues a number of policy targets and outcomes. However, the commitment to these targets and outcomes, generally, do not of themselves constitute a present obligation unless the State Department for Irrigation is clear on the cost it intends to incur, when payment will be made, and to whom and as a consequence has raised a valid expectation. As a consequence, liabilities are not reported for costs associated with the State Department for Irrigation policy objectives and targets. Where a policy choice gives rise to an obligation that exists independently of the State Department for Irrigation's future actions, expenses (and other related liabilities) are recognized for that policy.

Purpose and nature of financial instruments

Judgment is required in determining whether financial assets (including investment in securities and advances) and financial liabilities are held for trading or to provide a return through interest and principal transactions. Depending on that judgment, financial instruments will be reported at fair value or on an amortized cost basis.

Climate change obligations

Kenya's current National Determined Contribution (NDC) to deliver on the goals of the Paris Agreement sets a headline target of a 32 per cent emission reduction by 2030 relative to the business-as-usual scenario of 143 MtCO₂eq. MDAs commitment to climate change action does not constitute a present obligation on the balance sheet but are disclosed separately.

Physical assets

An asset is a resource presently controlled by the State Department for Irrigation as a result of a past event. The primary reason for holding property, plant and equipment and other assets is for their service potential rather than their ability to generate cash flows. Because of the types of services provided, a significant proportion of assets used by public sector entities including roads, national parks, heritage buildings etc are specialized in nature. There may be a limited market for such assets and so judgement is required on measurement. Judgment is also required whether assets are held for commercial purposes or public benefit purposes.

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Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

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

There were no new and amended standards issued in the financial year.

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.

Standard	Effective date and impact:
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p><i>This standard is in use.</i></p>
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>This standard is in use.</i></p>
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS</p>

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Standard	Effective date and impact:
	<p>11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an MDA shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>Not applicable yet</i></p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>Not applicable yet</i></p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><i>Not applicable</i></p>
<p>IPSAS 50: Exploration For & Evaluation of Mineral Resources</p>	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. <p><i>Not applicable to the entity</i></p>

iii) Early adoption of standards

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The State Department for Irrigation did not early – adopt any new or amended standards in the financial year.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the State Department for Irrigation and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development grants are recognized in the statement of financial performance after meeting the revenue recognition criteria. Conditional grants are recognized as revenue upon fulfilment of the set conditions.

b) Budget information

The original budget for FY 2024/2025 was approved by the National Assembly on *28th June 2024*. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The reduction in appropriations are subtracted to the original budget by the State Department for Irrigation upon receiving the respective approvals in order to conclude the final budget. Accordingly, the State Department for Irrigation recorded a reduction in appropriations of *3,490,822,850* on the 2024/25 budget following the governing body's approval. The State Department for Irrigation's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cash flows has been presented under page 7 of these financial statements.

Notes to the Financial Statements (Continued)

State Department for Irrigation
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Summary of Significant Accounting Policies (Continued)

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the State Department for Irrigation recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The State Department for Irrigation *does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.* A financial instrument is any contract that gives rise to a financial asset of one MDA and a financial liability or equity instrument of another MDA. At initial recognition, the MDA measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

a) Financial assets

Classification of financial assets

The State Department for Irrigation classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the State Department for Irrigation's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless The State Department for Irrigation has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the State Department for Irrigation classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the MDA manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Impairment

The State Department for Irrigation assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The State Department for Irrigation recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

b) Financial liabilities

Classification

The State Department for Irrigation classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

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Notes to the Financial Statements (Continued)

e) Provisions

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

f) Contingent liabilities

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

g) Contingent assets

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

h) Nature and purpose of reserves

The State Department for Irrigation creates and maintains reserves in terms of specific requirements. The State Department does not maintain any reserves.

i) Changes in accounting policies and estimates

The State Department for Irrigation recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

j) Employee benefits

Retirement benefit plans

The *MDA* provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an *MDA* pays fixed contributions into a separate

State Department for Irrigation

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MDA (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

k) Related parties

The State Department for Irrigation regards a related party as a person or an MDA with the ability to exert control individually or jointly, or to exercise significant influence over the State Department for Irrigation, or vice versa. Members of key management are regarded as related parties and comprise the Cabinet Secretary, Principal Secretary and Key management.

l) Cash and cash equivalents

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

m) Comparative figures

In preparing these financial statements, the State Department for Irrigation has elected to apply paragraph 79 of IPSAS 33, which allows for the election by the State Department for Irrigation to present one statement of financial performance, one statement of cash flow, one statement of net assets and the statement of financial position and an opening statement of financial position as at the time of first-time adoption of the accrual basis of accounting.

n) Subsequent events

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the State Department for Irrigation 's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The MDA based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the MDA. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual value

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed by the State Department for Irrigation.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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Notes to the Financial Statements (Continued)

6. Transfers from Exchequer

Nature of transfer	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Total transfers Period ended June 2025
	Kshs	Kshs	Kshs
Recurrent	1,018,015,059	-	1,018,015,059
Development	11,805,451,913	-	11,805,451,913
Total	12,823,466,973	-	12,823,466,973

7. Transfers from Domestic and Foreign Partners

Description	Period ended June 2025
	Kshs
Grants in cash from Bilateral donors	118,261,901
Direct payments	5,803,213,080
Total	5,921,474,981

8. Miscellaneous income

Description	Period ended June 2025
	Kshs
Incidental Sales by Non-Market Establishments Collected as AIA	358,000,000
Total	358,000,000

Note: There was overcollection of AIA of kshs.41, 299,413 against the budget as illustrated below.

NAME	ACTUAL AIA COLLECTED	BUDGET	DIFERENCE
National Irrigation Authority	345,924,018	308,000,000	37,924,018
National water Harvesting & Storage Authority	53,375,395	50,000,000	3,375,395
Total	399,299,413	358,000,000	41,299,413

9.(a) Employee Costs

Description	Period ended June 2025
	Kshs
Basic salaries of permanent employees	137,409,997
Personal allowances – part of salary	89,422,956
Employer contributions to compulsory national health insurance schemes	4,187,729
Gratuities due	1,768,901
Employee costs	232,789,584

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Notes to the Financial Statements (Continued)

9 (b) Adjusted Employee Cost (Cash Flows)

Description	Period ended June 2025
	Kshs
Employee costs	232,789,584
Unpaid Gratuities for the year	(1,768,901)
Total	231,020,683

10(a) Use of Goods and Services

Description	Period ended June 2025
	Kshs
Utilities, supplies and services	1,337,628
Communication, supplies and services	1,110,780
Domestic travel and subsistence	6,462,945
Printing, advertising, and information supplies & services	481,907
Rentals of produced assets	4,000,000
Training expenses	7,048,206
Hospitality supplies and services	2,267,245
Specialized materials and services	1,199,600
Office and general supplies and services	2,713,824
Fuel oil and lubricants	7,347,452
Routine maintenance – vehicles and other transport equipment	5,337,895
Routine maintenance – other assets	247,880
Other operating expenses	2,934,703
Total	42,490,065

10(b) Adjusted Use of Goods and Services (Cashflow)

Description	Period ended June 2025
	Kshs
Use of goods and services	42,490,065
Changes in receivables and payables	6,692,869
Total	49,182,934

11. Transfers to Other Government Entities

Description	Period ended June 2025
	Kshs
Transfers to national govt entities- SAGAs & projects	17,285,357,489

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Total	17,285,357,489
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12. Depreciation and Amortization Expense

Description	Period ended June 2025
	Kshs
Property, plant and equipment	4,907,475
Total	4,907,475

13. Cash and Cash Equivalents

Description	Period ended June 2025	Opening statement
	Kshs	Kshs
Recurrent Account	4,034	16,960,654
Development Account	1	67,433
Deposits Account	312,077,634	120,497,183
Project Bank Accounts	271,307,609	416,634,010
Cash on Hand	-	7,150
Total	583,389,276	554,166,430

13 (a) Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account number	Period ended June 2025	Opening statement
		Kshs	Kshs
Recurrent Account			
CBK001	1000695315	4,034	16,960,654
Development Accounts			
CBK002	1000695347	1	67,433
Deposits Accounts			
	1000695358	312,077,634	120,497,183
German Financial Co-op Ke- Small holder	1000737387	1,049,436	-
Coastal Water Security and Climate Resilient Project (K1)	1000736488	221,750,016	244,817,005
Kenya Water Security and Climate Resilient Project (K2)	2033770043	48,508,157	171,817,005
Cash on Hand		-	7,150
Sub- Total		583,389,276	554,166,430
Grand Total		583,389,276	554,166,430

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Equalization Fund Bank Account

The State Department for Irrigation during the financial period 2024/2025, had an Equalization Fund under **Vote D7071 Equalization Fund-Irrigation**.

The balance as at the end of the Financial period 2023/2024 was Kshs 12,501,291.70 held in account No,1000714174(State Department for Irrigation Equalization Fund).

14.Receivables from Non-Exchange Transactions

Description	Period ended June 2025	Opening statement 1 st July 2024
	Kshs	Kshs
Other exchange debtors	533,468,037	333,316,217
Total Receivables	533,468,037	333,316,217
a) Current receivables	200,151,820	333,316,217
b) Non-Current receivables	333,316,217	-
Total receivables	533,468,037	333,316,217

14(b) Ageing analysis for Receivables

Description	Period ended June 2025		Opening statement 1 st July 2024	
	Kshs		Kshs	
	Current FY	% of the total	1 st July	% of the total
Less than 1 year	200,151,820	38%	333,316,217	100%
0 - 1 years	333,316,217	62%		
Total	533,468,037	100%	333,316,217	100%

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Notes to the Financial Statements (Continued)

15 Property, Plant, and Equipment

	Furniture and fittings	Computers & ICT Equipment	Capital Work in progress	Total
Depreciation Rate	12.50%	30%		
Cost	Kshs	Kshs		Kshs
Opening Bal as 1st July 2024	-	-	-	-
Additions	1,185,000	15,864,501	1,474,848,464	1,491,897,965
As At 30th June 2025	1,185,000	15,864,501	1,474,848,464	1,491,897,965
Depreciation And Impairment	-	-	-	-
Depreciation	148,125	4,759,350	-	4,907,475
As At 30th June 2025	148,125	4,759,350	-	4,907,475
Net Book Values				
Opening Bal as at 1st July 2024	-	-	-	-
As At 30th June 2025	1,036,875	11,105,151	1,474,848,464	1,486,990,489

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Notes to the Financial Statements (Continued)

16 Trade and Other Payables

Description	Period ended June 2025		Opening statement 1 st July 2024	
	Kshs		Kshs	
Trade payables	1,878,500		-	
Third-party payments	312,077,634		120,497,183	
Total trade and other payables	313,956,134		120,497,183	
Ageing analysis: (Trade and other payables)	Current FY	% of the Total	1st July	% of the Total
Under one year	244,155,437	78%	120,497,183	100%
Between 1-2 years	69,800,696	22%	-	-
Total (tie to above total)	313,956,134	100%	120,497,183	100%

17 Provisions

Description	Gratuity Provision	Total
	Kshs	Kshs
Opening balance as at 1st July 2024	2,760,585	2,760,585
Additional provisions	1,768,901	1,768,901
Total provisions year end	4,529,486	4,529,486
Current Provisions	1,768,901	1,768,901
Non-current Provisions	2,760,585	2,760,585
Total	4,529,486	4,529,486

18 Cash Generated from Operations

	June 2025
	Kshs
Surplus for the year before tax	1,537,397,341
Adjusted for:	
Depreciation	4,907,475
Working capital adjustments	
Change in receivables	(200,151,820)
Change in payables	195,227,852
Net cash flow from operating activities	1,537,380,848

19 Financial Risk Management

The MDA's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The MDA's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The MDA does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The MDA's financial risk management objectives and policies are detailed below:

i) Credit risk

The MDA is not exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the MDA's directors, who have built an appropriate liquidity risk management framework for the management of the MDA's short, medium and long-term funding and liquidity management requirements. The MDA manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the MDA under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

iii) Market risk

The MDA has put in place an internal audit function to assist it in assessing the risk faced by the MDA on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the MDA's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control

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market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The MDA's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the MDA's exposure to market risks or the manner in which it manages and measures the risk.

20 Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the *MDA* include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *MDA*, holding 100% of the *MDA*'s equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the *MDA*, both domestic and external.

Other related parties include:

- i) The Parent Ministry.
- ii) County Governments
- iii) Other Projects e.g. KWSCRIP
- iv) Key management including the Cabinet Secretaries and Accounting Officers.

	<i>June 2025</i>
	Kshs
Transactions with related parties	
a) Grants /transfers from the government	
Grants from national govt	17,285,357,489
Total	17,285,357,489

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Notes to the Financial Statements (Continued)

21 Program for Results (PforR) Disclosure

The State Department for Irrigation does not implement Programs for Results (PforR).

22 Events after the Reporting Period

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

23 Ultimate and Holding MDA

The MDA ultimate parent is the Government of Kenya.

24 Currency

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

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19. Appendix

Appendix 1: Implementation Status of Auditor-General’s Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1099	Receipts- Proceeds from Sale of Assets - Unsupported	The analysis by the National Irrigation Authority was provided for audit	Resolved	Resolved
1100	Unsupported Fuel Expenditure	A policy was developed to curb wastage on fuel and drivers have to make entries on amount drawn	Resolved	Resolved
1101	Lack of Acknowledgements for Grants and Transfers to Other Government Agencies	Confirmation letters were provided by the receiving SAGA’s and donors for grants disbursed. The variance was due to direct payments from donors.	Resolved	Resolved
1102	IFMIS Data Analysis Report – Un-explained Voided Transactions	The transactions were voided because the full exchequer amount had not been received from the National Treasury. The payments were then processed for the available funds.	Resolved	Resolved
1103	Non-Compliance with a Third Basic Pay Rule	The affected officers were informed and given 14 days to resolve their financial matters or face disciplinary action.	Resolved	Resolved
1104	Staff under Establishment	The Human Resource Department submitted a request to the Public	Not Resolved	December 31, 2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		Service Commission and National Treasury to fill the vacant technical positions.		
1105	Stalled Project - Anyiko-Ujwangá -Kathieno Irrigation Project in Siaya County	The contractor abandoned the site and the contract has expired. The department settled the matter in court	Resolved	Resolved
1106	Stalled Project - Drilling and Equipping of Boreholes, Construction of Elevated Water Tanks and Drip Irrigation at Ganda Primary School in Kwale County	This is an ongoing project with an extended performance bond. The required documents and certificates have been availed and no payments have been made yet.	Resolved	Resolved
1107	Stalled Project - Drilling, Equipping of boreholes, Construction of Elevated Water Tank and Greenhouses at Ndugamano Primary School in Muranga County.	This is an ongoing project within the defects liability period. The defects have been addressed and all required documents have been made available.	Resolved	Resolved
1108	Failure to Publish and Publicize Awarded Tenders	Newly deployed Supply Chain Management officers were not mapped to the PPIP portal. They have now been mapped and are publishing tenders.	Resolved	Resolved
1109	Failure to Maintain an	The department is now able to upload	On-going	November 30, 2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Up-to-Date Assets Register	asset information in the system. The vehicle with two registration numbers had its logbook corrected by NTSA.		
1110	Lack of Preparedness for Transition to Accrual Basis of Accounting	The National Treasury had not issued guiding circulars for the new financial year. Circulars have now been issued and training is ongoing.	Resolved	Resolved
1111	Non-disposal of Unserviceable Assets	The three grounded vehicles are planned for disposal. The department is currently preparing to dispose of the assets as per the law.	Not Resolved	December 31, 2026



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Ephantus K. Kimotho, CBS

Accounting Officer

Date.

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Appendix II: Projects implemented by State Department for Irrigation

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidat ed in these financial statements (Yes/No)
Kenya Water Security Climate Resilience (K1)	5268-KE/5674/7423-KE	World Bank KfW	12 Years	3,445,600,000	Yes	Yes
Coastal Regional Water Security Climate Resilience II (K2)	5543-KE/70040-KE	World Bank KfW	11 Years	36,285,000,000	Yes	Yes

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Appendix III: Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) Previous Year	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) Current Year
Buildings and structures	1,136,325,953	-	-	-	1,136,325,953
Transport equipment	19,857,015	-	-	-	19,857,015
Office equipment, furniture and fittings	22,698,029	1,185,000	-	-	23,883,029
ICT Equipment	-	15,864,501	-	-	15,864,501
Machinery and Equipment	2,776,168	-	-	-	2,776,168
Intangible assets	360,000	-	-	-	360,000
Work in Progress	-	1,474,848,464	-	-	1,474,848,464
Total	1,182,017,165	1,491,897,965	-	-	2,673,915,130

Note: The Fixed Asset Register balance for the FY 2023/24 amounting to Kshs. 1,182,017,165 has not been included since a valuation has not been conducted to determine the carrying amount of the assets. Further the state department has taken advantage of the transitional period in line with IPSAS 33.

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Appendix VI: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
Land Reclamation for Climate Resilience & Livelihood Enhancement Programme	The project involves construction of irrigation water harvesting and storage reservoirs from intermittent streams in Kenya's ASAL rangelands, Exploration of water from non-traditional sources for irrigation, and building	The specific objectives are 1.To construct irrigation Water harvesting and storage reservoirs from Laggahs 2.To Explore water from non-traditional sources for irrigation including Groundwater exploitation	i.Construction of 200 water reservoir (dam) at the scheme level ii. Construction of 200,000 household ponds/waterpans/storage tanks at the household level. iii. Desalination/recycling of water for irrigation for climate resilience iv. Drilling of boreholes/ground water exploration v. Upgrading of irrigation technologies vi.Installation of smart metering vii. Adoption of water saving	Conceptualization and feasibility studies from large water pans from selected 'laggahs'	Surveys and Design of large water pans Commencement of Procurement process for pan construction works	Conclusion of procurement processes and commencement of construction works	Carry out construction of water pan works	GoK	County Governments

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	<p>capacity of communities for enhanced resilience. The restoration of 5,000 ha of selected degraded hotspots across the country to improve land productivity. Provide for irrigated pasture production in areas often ravaged by droughts</p>	<p>3.To enhance governance, planning and monitoring of irrigated water production from non-traditional sources . 4.To build capacity of Agro pastoral and pastoral communities for enhanced resilience 5. To restore 5,000 ha of degraded landscape in selected hotspots. 6. To limit GHG emissions</p>	<p>technologies such as drought tolerant crops viii. Reclamation of land degradation hotspots ix.Training need assessment and training communities on resilience through exposures, on-class/on-job x.Adaptive research and technology transfer xi. rehabilitation of delapidated water storage facilities, xii. Adoption of flood based farming systems, xiii. Adoption and scaling of roads for water technology.</p>						
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		from rice paddies through appropriate mitigation action 5.To implement the NCCAP objects							
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MINISTRY OF WATER, SANITATION AND IRRIGATION
STATE DEPARTMENT FOR IRRIGATION

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30TH JUNE 2025

Transitional IPSAS Financial Statements.