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REPORT

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TABLED BY: HON. NAOMI WAGYO M.P.	ON
CLERK-AT-THE-TABLE: MS. MERCY CHUMD	

THE AUDITOR-GENERAL

RWABURA IRRIGATION DEVELOPMENT PROJECT NO.1109118900

**FOR THE YEAR ENDED
30 JUNE, 2024**

NATIONAL IRRIGATION AUTHORITY



PROJECT NAME: RWABURA IRRIGATION DEVELOPMENT PROJECT

IMPLEMENTING ENTITY: NATIONAL IRRIGATION AUTHORITY

PROJECT CREDIT NUMBER: 1109118900

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

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1. Acronyms and Glossary of Terms

NIA	National Irrigation Authority
NT	National Treasury
IPSAS	International Public Sector Accounting Standards
PSASB	Public Sector Accounting Standards Board
RIDP	Rwabura Irrigation Development Project
RAESA	Riegos Agricolas Espanoles, S.A
MWI	Ministry of Water, Sanitation and Irrigation
PFM	Public Finance Management Act
AG.	Acting
FY	Financial Year
A/C	Account
N/B	Note Better
B/F	Brought Forward
C/F	Carried Forward
NO.	Number
IPC	Interim Payment Certificate
CEO	Chief Executive Officer
ENG.	Engineer
M & E	Monitoring and Evaluation
ICPAK	Institute of Certified Public Accountant Kenya
CPA	Certified Public Accountant
KSHS.	Kenyan Shilling
PAPS	Project affected Persons
FIEM	Fund for Internationalization of the Spanish companies
STRECO	Structural Reinforcement Components Limited
CO-OP	Cooperative
COMPARATIVE FY	Financial year preceding the current financial year

2. Project Information and Overall Performance

2.1 Name and registered office

Name:

The project's official name is Rwabura Irrigation Development Project (RIDP)

Objective:

The key objective of the project is to increase the productivity of crops by improvement of irrigation infrastructures in Gatundu South Sub- County, Kiambu County, thereby contributing to raising the farmers' livelihood in Kiambu county and food security in Kenya.

Address:

The project headquarters offices are in Nairobi city, Nairobi County, Kenya.

The address of its registered office is:

**National Irrigation Authority
Irrigation House,
Lenana Road, Hurlingham
P.O. Box 30372-00100
Nairobi, Kenya
Tel: 0711061000
E-mail: ceo@irrigation.go.ke**

The project also has a site office at:

Gatundu South Sub-County, Kiambu County

Contacts: The following are the project contacts

Telephone: (254) -20-2711380/2711468

E-mail: ceo@irrigationauthority.go.ke

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

Project Information and Overall Performance (Continued)

2.2 Project Information

Project Start Date:	1 st December, 2010 & Contract commencement date is 13 th November 2020
Project End Date:	13th May 2024
Project Manager:	Eng. Risper Okumbe
Project Sponsor:	Government of Spain/ Government of Kenya

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Water, Sanitation and Irrigation. State Department of Irrigation
Project number	1109118900
Strategic goals of the project	The strategic goals of the project are as follows: <ul style="list-style-type: none"> i. Construction of the Intake weirs complete with intake chamber, gates, trash-racks and stop-log details ii. Construction of Sedimentation basin of reinforced concrete along the conveyance line (proposed number of sedimentation basins in this project: Installation of Standard gates, junction boxes, marker posts, bench marker, valve chambers, thrust and pipe beddings and support block in masonry and reinforced concrete iii. Supply, installation, bedding, testing and commissioning of conveyance pipes. iv. Supply and installation of sprinkler irrigation systems with main pipelines, irrigation laterals and complete irrigation head, manually operated, as described in accordance to the BOQs and to the sprinkler system technical characteristics
Summary of project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: <ul style="list-style-type: none"> i) Construction of Thiririka dam and its related Irrigation infrastructures. ii) Formation of IWUA and train the farmers on horticultural irrigation . iii) Continuous monitoring of the project progress on monthly basis.
Other important background information of the project.	Construction of: <ul style="list-style-type: none"> i. Four water harvesting and storage dams ii. Irrigation infrastructure <ul style="list-style-type: none"> a. Conveyance lines, Mainlines and Sub-mains b. Distribution network c. Other system appurtenances (control valves, chambers, pressure control valves; d. Project facilities (offices.) e.

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	iii. Agricultural development plan (value chains facilities)
Areas that the project was formed to intervene	Underutilisation of productive agricultural land due to unpredictable and unreliable rainfall.
Project duration	The execution period of the project is 24 months plus a warranty period of (12 months) from the date of the signature of the project site availability certificate (attached) that was signed on 13th November, 2020. Due to delays, the completion date was extended to May 2024. The delays were occasioned by travel bans in Spain due to COVID-19, expiry of Pre-export Verification of conformity (PVoC) contracts between pre-shipment inspection companies and KeBS that interrupted importation of materials from Spain and tough terrain of the forest that has necessitated realignment of the 19km of conveyance pipeline. In this regard, the contract was extended to May ,2024. The project has since been completed.

2.4 Bankers

NIA BANK ACCOUNTS

Co-operative bank of Kenya

Equity Bank Kenya Limited

2.5 Independent Auditors

The project is audited by Office of the Auditor General

Address

Office of the Auditor General

P.O Box 30084-00100

Nairobi

Project Information and Overall Performance (Continued)

2.6 Roles and Responsibilities of key persons working on the project

Names	Title designation	Key qualification	Responsibilities
Eng. Charles Muasya, <i>MBS</i>	Chief Executive Officer (CEO)	Over 20 years of experience in the development and management of irrigation schemes	Overall coordination of the project from December 19 th , 2022
Eng. Loise Kahiga	Deputy General Manager (Infrastructure & Irrigation development services)	Over 10 years of experience in the development of irrigation infrastructure.	Coordination of Engineering matters on the project
Eng. Risper Okumbe	Project Manager	Over 10 years' experience in dam and irrigation infrastructure construction.	Coordinating all technical matters of the project
Mr. Tirus Kabuthia	Project Accountant	Over 20 years in financial management	Advising on project financial aspects.
M/s Emma Nzioka	Sociologist	Over 7 years in the community mobilisation	Ensuring harmonious interaction with the locals
M/s Patricia Siele	Procurement officer	Over 7 years of experience in procurement matters	Advising on procurement matters for the Project

Project Information and Overall Performance (Continued)

2.7 Funding summary

A. Sources of Funds

The project was for a duration of 24 months from 2021 to 2023 with an extension to May 2024 and an approved budget of Euros 8,288,312.00 equivalent to Kshs. 1,139,486,857.00 as highlighted in the table below:

Below is the funding summary:

Table 1

Source of funds	Donor Commitment-		Amount received to date (30-06-2024)		Undrawn balance to date (30-06-2024)	
	Donor currency Euro (A)	KSh. (A')	Donor currency (B)	KSh. (B')	Donor currency Euro (A)-(B)	KSh. (A')-(B')
(i) Loan						
Spain	6,825,738.00	973,736,857.00	5,787,678.00	825,650,704.00	1,038,060.00	148,086,153.00
(ii) Counterpart funds						
Government of Kenya	1,462,574.00	165,750,000.00	1,462,574.00	165,750,000.00	0.00	0.00
Total	8,288,312.00	1,139,486,857.00	7,250,252.00	991,400,704.00	1,038,060.00	148,086,153.00

Project Information and Overall Performance (Continued)

B. Application of Funds

Table 2

Application of funds	Amount received to date (30 th June 2024)	Cumulative Amount paid to date (30 th June 2024)	Unutilised balance to date (30-06-2024)
	Donor currency Euro	Donor currency Euro	Donor currency Euro
	(A)	(B)	(A)-(B)
	(A)	(B)	(A)-(B)
(i) Loan			
Spain government	5,787,678.00	825,650,704.00	0.00
(ii) Counterpart funds			
Government of Kenya	1,462,574.00	130,179,398.00	35,570,602.00
Total	7,250,252.00	955,830,102.00	35,570,602.00
	991,400,704.00	6,700,215.00	550,037.00

Project Information and Overall Performance (continued)

2.8 Summary of Overall Project Performance: -

- i)* Budget performance against actual amounts for the current year is 65 %.
- ii)* The physical progress of the project is at 100 % complete.
- iii)* The absorption rate for each year since the commencement of the project has been 96 %.
- iv)* Implementation challenges: We have surmounted all the encountered challenges as the project has been completed

2.9 Summary of Project Compliance:

The project complied with all statutory requirements.

3. Statement of Performance against Project's Predetermined Objectives

Introduction

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

The key development objective of the *project's 2020-2024* plan is to increase the productivity of horticultural crops and fruits by improvement of irrigation facilities and strengthening of the operations and maintenance framework in Gatundu South constituency. Thereby contributing to raising the farmers' livelihoods and boost food security in Kenya

Progress on attainment of Strategic development objective

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

Table below highlights the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Rwabura Irrigation Development Project.	To increase the production of horticultural crops and fruits	Construction of irrigation facilities.	Increase in horticultural crops, which will boost the livelihoods of beneficiaries.	The project is 100 % complete .

4. Environmental and Sustainability Reporting

i. Sustainability strategy and profile

NIA is at the forefront in implementing sustainability in its key areas of operation. These aim at optimizing water use in irrigation while minimizing environmental impacts and ensuring long-term productivity. Key sustainable efforts embraced by the project include;

ii. Environmental performance

NIA is aware that the delivery of its core mandate can have negative impacts on the environment. Therefore, the Authority recognizes that some of its activities if not well controlled and managed can lead to negative environmental impacts. The Authority acts as a responsible environmental steward by complying with the applicable environmental laws and regulations. One of these measures is the adoption of an Environmental Policy Statement that seeks to address and give guidelines of the necessary steps taken to address negative environmental impacts from the delivery of our mandate.

iii. Employee welfare

In carrying out its mandate, NIA accords equal opportunity to all people of Kenya in the employment of staff and provision of services. The Authority is an equal opportunity employer, embraces diversity of Kenya's communities and does not in its recruitment and selection process, discriminate based on gender, race, religion, ethnicity or any other form of discrimination.

NIA has put in place efforts to enhance skills gaps by undertaking skills gaps analysis through which annual staff training projections are prepared. The identified skills gaps and training needs are addressed through interventions such as recruitment, outsourcing, capacity building, and training, coaching and mentoring.

The staff appraisal is managed through an online Performance Management system whereby individual employees set annual performance targets. The performance is reviewed mid-view and an action plan developed for implementation of the recommendations emanating from the staff appraisal reports.

NIA has developed a Workplace Occupational Health and Safety Policy that outlines the commitment of the Authority to providing a safe and healthy work environment for employees. The Policy sets out the general approach to health and safety in the Authority as well as management health and safety in the workplace.

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In line with NIAs' employee welfare the contractor has put into place a transparent recruitment where all positions are advertised. The contractor also ensures that the labour laws are adhered to including the minimum wage criteria.

The contractor has issued all the workers with requisite PPEs and worn out PPEs are replenished on time.

iv. Market place practices

a) Responsible competition practice.

National Irrigation Authority (NIA) promotes competitive procurement to the maximum extent practicable. The Authority maintains and continuously update lists of registered suppliers, contractors and consultants in various specific categories of goods, works or services according to its procurement needs. The selection of suppliers, contractors and consultants is done based on objective criteria such as quality, technical excellence, cost/price, schedule/delivery, services and maintenance of adequate sources of supply.

The standard tender documents used and issued by a procuring entity contains sufficient information to allow fairness, equitability, transparency, cost-effectiveness and competition among interested and participating tenderers. Specific requirements relating to the goods, works or services being procured are clear and give a correct and complete description of what is to be procured thus allow for fair and open competition among those who may wish to participate.

Due diligence is also conducted on firms to be awarded contracts prior to contract award to ensure that there is no a misrepresentation of facts in order to influence a procurement or disposal process and to assure of free and open competition.

NIA continually works with different government agencies and regulatory bodies that monitor assess and review the public procurement and asset disposal system to ensure that they respect the national values, enforce any standards developed, provide advice and technical support and to investigate and act on complaints received on procurement and asset disposal proceedings.

b) Responsible ethical practices

As stakeholders are becoming increasingly interested in business affairs, NIA continually ensures that, their partners conduct themselves in a socially responsible manner. This is done through sensitization on government procurement opportunities in the Authority's all schemes/stations to ensure that the public is aware of the available opportunities and how to participate for free, fair, transparent and competitive procurement process.

National Irrigation Authority (NIA) advertises its tenders in Government Advertising Agency's MY Gov publication distributed by local newspapers, Public Procurement Information Portal (PIIP), <https://tenders.go.ke/> and NIA's website, <https://irrigationauthority.go.ke/tenders/> thus ensuring the interested tenderers have access to information and can freely seek clarifications through various channels of communication provided.

c) Regulatory impact assessment

National Irrigation Authority (NIA) conducts impact assessment on all its projects prior to implementation to ensure that all projects are evaluated on their the economic, environmental and social impact thus promoting environmentally sound and sustainable development through the identification of appropriate alternatives and mitigation measures. NIA conduct public participation prior to commencement of mega projects to ensure that the public who are the ultimate users accept the project. The notice for public participation is usually conducted through Kenya Gazette which is accessible to the public and opinions for the public is received, evaluated.

v. Community Engagements

During the FY 2023/2024, the following activities were undertaken according to the Authority's CSR Policy objectives:

Environmental Responsibility.

The Authority distributed fruit-tree and indigenous-tree seedlings to farmers and local communities respectively across the Country for planting during the rainy seasons in an effort to increase forest and tree cover as part of the National Tree Growing Campaign and Corporate Social Responsibility initiatives.

5. Statement of Project Management Responsibilities

The *Chief Executive Officer*, National Irrigation Authority and the Project Manager for ***Rwabura Irrigation Development Project*** are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on *30 June 2024*. These responsibilities includes: (i) Maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period, (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the Project, (v) Selecting and applying appropriate accounting policies and (vi) Making accounting estimates that are reasonable in the circumstances.

The *Chief Executive Officer*, National Irrigation Authority and the Project Manager for ***Rwabura Irrigation Development Project*** accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS)

The *Chief Executive Officer*, National Irrigation Authority and the *Project Manager* for ***Rwabura Irrigation Development Project*** are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended *30 June 2024*, and of the Project's financial position as at that date. The Chief Executive Officer, National Irrigation Authority and the Project Manager for ***Rwabura Irrigation Development Project*** further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the Project financial statements

The Project financial statements were approved by the *Chief Executive Officer*, National Irrigation Authority and the *Project Manager* for ***Rwabura Irrigation Development Project*** on 06/11 2024 and signed by them.



Chief Executive Officer
Eng. Charles Muasya, *MBS*



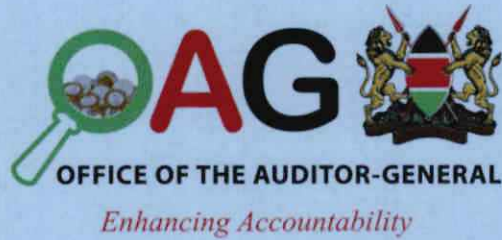
Project Manager
Eng. Risper Okumbe



Project Accountant:
CPA. Tirus N. Kabuthia
ICPAK Member No. 15039

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON RWABURA IRRIGATION DEVELOPMENT PROJECT NO.1109118900 FOR THE YEAR ENDED 30 JUNE, 2024 - NATIONAL IRRIGATION AUTHORITY

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on the 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 the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, 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 are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Rwabura Irrigation Development Project - National Irrigation Authority set out on pages 1 to 22, which comprise of the statement of financial assets and liabilities as at 30 June, 2024 and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual 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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Rwabura Irrigation Development Project - National Irrigation Authority as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Credit Facility Agreement No. 1109118900 dated 18 July, 2017 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unsupported Cash and Cash Equivalents

The statement of financial assets and liabilities reflects cash and cash equivalents balance of Kshs.35,570,602 as at 30 June, 2024. However, the cashbook, board of survey report and bank reconciliation statements in support of the cash and cash equivalents balance were not provided for audit.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.35,570,602 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.753,000,000 and Kshs.495,461,702 respectively, resulting to an under-funding of Kshs.257,538,298 or 34% of the budget. However, the project spent an amount of Kshs.496,402,632 against actual receipts of

Kshs.495,461,702 resulting to over-utilization of Kshs.940,930 or 0.2% of actual receipts, which was not explained.

The under-funding affected the planned activities and may have impacted negatively on the Project completion and service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the report of the previous year, several issues were raised under Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury Circulars.

Other Information

The Management is responsible for the other information set out on page iii to xiv which comprise of Project Information and Overall Performance, Statement of Performance against Project's Predetermined Objectives, Environmental and Sustainability Reporting and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Rwabura Irrigation Development Project - National Irrigation Authority Project's 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 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

the Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Delay in Processing of Payment Certificates

The statement of receipts and payments and Note 8 to the financial statements reflects acquisition of non-financial assets cumulative to date balance of Kshs.859,383,784 (€16,857,357) which includes Kshs.488,334,542 relating to the year under review. Audit of the Project progress report for the month of June, 2024 revealed that the Project was completed by April, 2024 after an extension of twenty (20) months as summarized in the table below;

Commencement Date	13 November, 2020
Contract Period	24 months (20 months Extension Approved) up to 30 November, 2022
Revised Completion Date	April, 2024
Lapsed Period to Date	41 Months
Progress to Date	100%

However, it was noted that the contractor has to date claimed payments totalling Kshs.705,106,292 (€5,128,747 @137.4812) out of which Kshs.654,935,278 (€4,763,817) have been paid. Available information indicate that the Project was commissioned on April, 2024, however, interim payment certificates (IPCs) Nos 33-36 amounting to Kshs.51,122,447 (€ 371,851) have not been processed for payment due to expiry of a bank guarantee and performance bond on 13 May, 2024. Further, interim payment certificates No.36 amounting to Kshs.38,362,011 (€ 279,035) was submitted by the contractor on 26 April, 2024 but had not been certified for payment by 30 June, 2024.

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

2. Project Implementation and Viability

The Project field inspection carried out along the Thiririka and Rwabura conveyance systems, in October, 2024 revealed that the Project was substantially complete and was currently under a defect liability period set to end in February, 2025. However, despite these advancements, it was noted that challenges still existed that required to be addressed to ensure the Project's long-term success and sustainability as analysed below;

2.1 Rwabura Irrigation Development Project Conveyance Systems

2.1.1 Thiririka System

The water inlet was filled with waste deposits which partially blocked the sluice gate while twigs, trees, and soil deposits had accumulated inside the sedimentation basin. The air valve vent at the sedimentation basin was damaged potentially compromising the system

functionality. Further, the base support of blocks and anchor blocks were damaged by scouring water and the steel pipes buried under debris from a landslide. The section and washout valve chamber was also damaged highlighting further vulnerabilities in the system. The audit inspection also revealed extensive scouring and loss of foundation support material for both pipe support blocks and PVC pipes from a landslide.

2.1.2 Rwabura System

The water inlet was filled with twigs, trees, and soil deposits to the blocking the sluice gate. However, the fittings were not affected by the floodwaters and remained in good condition. Gabion boxes were wasting away and uPVC backfill material along the pipeline was also lost as a result of the landslide raising concerns on the stability and functionality of the conveyance system. These issues underscore the urgent need for remedial action to restore the system's operational capacity and prevent further deterioration.

In the circumstances, value of money incurred on the Project is doubtful.

2.2 Theft of Irrigation Kits

Review of the police charge sheet OB Number 02/23/07/2024 revealed that apparatus valued at Kshs.1,162,000 had been stolen after the contractors completed their work. Details on the Police report on the scheme site theft were not included in both the periodic project status reports and the internal audit reports.

2.3 Slow Uptake of Irrigation Kits by Beneficiaries

The audit identified slow uptake of irrigation kits by beneficiaries. To receive the kits, farmers were required to pay a registration fee of Kshs.1,800 and a monthly fee of Kshs.500. Interviews held with interim officials of the Irrigation Water Users Association (IWUA), revealed that only 1,284 or 45% out of the 2,904 irrigation kits had been issued to farmers and the balance of 1,620 or 55% of the kits remained unclaimed. However, there was no evidence to confirm that the 1,284 farmers were registered and had made the necessary payments. Further, the balance of 1,620 kits not issued were not in the custody of the Irrigation Water Users Association but were stored at a local Primary Project raising concerns on the terms of storage and security measures in place.

2.4 Project Viability

The Project was commissioned in April, 2024. However, no remedial actions had been taken regarding the stolen irrigation kits and the identified defects caused by landslides in the irrigation system remain unaddressed, posing risks to the functionality and sustainability of the irrigation infrastructure.

In the circumstances, the Project's expected benefits which included bringing 1,500 acres under irrigation, supporting the production of horticultural crops and fruits, thereby enhancing food security and value for money may not have been obtained from the Project.

3. Failure to Stipulate Draw Down Terms

Review of the credit facility agreement and the commercial contract agreement for construction works revealed that there were no stipulated key deliverables attached to loan draw downs. Further, in the year under review, a total of nineteen (19) Interim Payment Certificates (IPCs) were certified and paid amounting to € 3,094,846, equivalent to Kshs.487,961,702 translating to 45% of the contract price. Its therefore not clear on the specific project timelines and milestones achieved to trigger the 45% drawn down.

The absence of stipulated key deliverables in loan drawdowns poses significant risks that could affect financial management, compliance, operations, reputation, and future funding opportunities.

The audit was conducted in accordance with ISSAIs 3000 and 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAIs 2315 and 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Credit Facility Agreement between the Government of Spain and the Republic of Kenya, except for the matters under Report on the Financial Statements, Other Matter and the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I report based on my audit that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and

- iii. The Project's financial statements are in agreement with the accounting records and returns.

Responsibilities of 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 (Cash 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 Project'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 Project's, financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires 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 IFPP 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

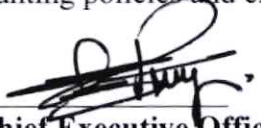
20 November, 2024

***Rwabura Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2024***

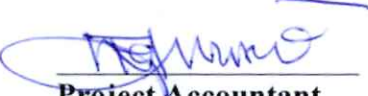
7. Statement of Receipts and Payments for the year ended 30th June 2024.

	Note	FY 2023/2024			FY 2022/2023			Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	
RECEIPTS		KSh.	KSh.	Kshs.	KSh.	KSh.	Kshs.	KSh.
Transfer from Government entities	1	7,500,000.00	-	7,500,000.00	23,250,000.00	-	23,250,000.00	165,750,000.00
Loan from external development partners	3	-	487,961,702.00	487,961,702.00	-	7,177,736.00	7,177,736.00	825,650,704.00
TOTAL RECEIPTS		7,500,000.00	487,961,702.00	495,461,702.00	23,250,000.00	7,177,736.00	30,427,736.00	991,400,704.00
PAYMENTS								
Purchase of goods and services	6	8,068,090.00	-	8,068,090.00	12,602,594.00	-	12,602,594.00	96,446,318.00
Acquisition of non-financial assets	8	372,840.00	487,961,702.00	488,334,542.00	9,679,621.00	7,177,736.00	16,857,357.00	859,383,784.00
Other grants and transfers and payments	10	-	-	-	-	-	-	-
TOTAL PAYMENTS		8,440,930.00	487,961,702.00	496,402,632.00	22,282,215.00	7,177,736.00	29,459,951.00	955,830,102.00
SURPLUS/(DEFICIT)		-940,930.00	-	-940,930.00	967,785.00	0	967,785.00	35,570,602.00

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


Chief Executive Officer
Eng. Charles Muasya, MBS


Project Manager
Eng. Risper Okumbe


Project Accountant
CPA Tirus .N. Kabuthia
ICPAK Member No:15039

Rwabura Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2024


8. Statement of Financial Assets and liabilities as at 30th June 2024

Description	Note	FY 2023-2024	FY2022-2023
		KSh.	KSh.
Financial Assets			
Cash and cash Equivalents	11	35,570,602.00	36,511,532.00
Imprests and advances		-	-
Total Financial Assets (A)		35,570,602.00	36,511,532.00
Financial Liabilities			
Deposits and Retention Monies		-	-
Total Financial liabilities (B)		-	-
Net Financial Asset (A-B)		35,570,602.00	36,511,532.00
Represented By			
Fund Bal B/F	14	36,511,532.00	35,543,747.00
Surplus/(Deficit) for the year		(940,930.00)	967,785.00
Net financial Assets		35,570,602.00	36,511,532.00

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 06/11/2024 and signed by:


Chief Executive officer
 Eng. Charles Muasya, *MBS*


Project Manager
 Eng. Risper Okumbe


Project Accountant
 CPA Tirus N. Kabuthia
 ICPAK Member No: 15039

Rwabura Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2024

9. Statement of Cash flow for the year ended 30 June 2024

Description		2023-2024	2022-2023
Cash flow from operating activities		Kshs.	Kshs.
Receipts			
Transfer from Government entities	1	7,500,000.00	23,250,000.00
Total receipts		7,500,000.00	23,250,000.00
Payments			
Purchase of goods and services	6	-8,068,090.00	12,602,594.00
Total Payments		-8,068,090.00	12,602,594.00
Net receipts/ (Payments)		-568,090.00	10,647,406.00
Cashflow from investing activities			
Acquisition of non-financial Assets	8	-488,334,542.00	-16,857,357.00
Net cash flows from Investing Activities		-488,334,542.00	-16,857,357.00
Cashflow from borrowing activities			
Proceeds from foreign borrowings	3	487,961,702.00	7,177,736.00
Net cash flow from financing activities		487,961,702.00	7,177,736.00
Net increase in cash and cash equivalent		-940,930.00	967,785.00
Cash and cash equivalent at beginning of the year	14	36,511,532.00	35,543,747.00
Cash and cash equivalent at end of the year		35,570,602.00	36,511,532.00

Rwabura Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2024

10. Statement of Comparative Budget and Actual Amounts for the year ended 30 June 2024

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c= a + b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	10,000,000.00	-	10,000,000.00	7,500,000.00	2,500,000.00	75
Proceeds from borrowings	300,000,000.00	443,000,000.00	743,000,000.00	487,961,702.00	255,038,298.00	65
Total Receipts	310,000,000.00	443,000,000.00	753,000,000.00	495,461,702.00	257,538,298.00	65
Payments						
Purchase of goods and services	8,500,000.00	-	8,500,000.00	8,068,090.00	431,910.00	94
Acquisition of non-financial assets	301,500,000.00	443,000,000.00	744,500,000.00	488,334,542.00	256,165,458.00	66
Total Payments	310,000,000.00	443,000,000.00	753,000,000.00	496,402,632.00	256,597,368.00	
Surplus or Deficit	0	0	0	-940,930.00	940,930.00	

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

11. Significant Accounting Policies

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

a. Statement of compliance and basis of preparation

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

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

b. Reporting Entity

The financial statements are for Rwabura Irrigation Development Project under National Irrigation Authority. The financial statements encompass the reporting entity as specified in Sec.81 of PFM Act 2012 .

c. Reporting currency

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

d. Recognition of receipts

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

i. Transfers from the Exchequer

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

ii. External Assistance

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

Significant Accounting Policies continued

iii. Other receipts

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

iv). Donations and grants

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

v) Proceeds from borrowing

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

vi) Undrawn external assistance

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

e. Recognition of payments

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

i. Compensation of employees

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

ii. Use of goods and services

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

Significant Accounting Policies (Continued)

iii. Interest on borrowing

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

iv. Repayment of borrowing (principal amount)

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

v. Acquisition of fixed assets

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

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

f. In-kind donations

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

g. Cash and cash equivalents

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

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

Significant Accounting Policies (Continued)

h. Restriction on cash

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

i. Imprests and Advances

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

j. Contingent Liabilities

A contingent liability is:

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

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities, Letters of comfort/ support, insurance, Public Private Partnerships, The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. .

NB : There were no contingent liabilities within the period.

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

k. Contingent Assets

National Irrigation Authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are

Significant Accounting Policies (Continued)

appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

l. Pending bills

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

m. Budget

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

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

n. Third party payments

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

During the year ***Kshs. 487,961,702.00*** being loan disbursements were received in form of direct payments from third parties.

o. Exchange rate differences

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

Rwabura Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2024

Significant Accounting Policies (Continued)

monetary assets and liabilities denominated in foreign currencies are recognized in the statements of receipts and payments.

p. Comparative figures

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

q. Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2024.

r. Prior period adjustments

There were no prior year adjustments during the reporting period.

12. Notes to the Financial Statements

1. Transfers from Government Entities

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

Description	2023/2024	2022/2023	Cumulative to-date (from inception)
	KSh.	KSh.	
<i>Counterpart funding through Ministry</i>			158,250,000.00
Ministry of water, sanitation & Irrigation			
Quarter 1	2,500,000.00	7,750,000.00	
Quarter 2	0.00	7,750,000.00	
Quarter 3	2,500,000.00	0.00	
Quarter 4	2,500,000.00	7,750,000.00	
Total	7,500,000.00	23,250,000.00	165,750,000.00

2. Proceeds From Domestic And Foreign Grants

There were no receipts from neither domestic nor foreign grants during the financial period 1st July 2023 to 30 June 2024.

Rwabura Irrigation Development Project
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Notes to the Financial Statements (continued)

3. Loan From External Development Partners

FIEM - SPAIN	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in Ksh			
					EURO	Ksh		Ksh
	Bal b/f							337,689,002.
IPC 11	11/08/2022	17,604.33	-				2,151,663.00	
IPC 12	11/08/2022	28,512.28	-				3,484,871.00	
IPC 14	01/11/2022	12,820.61	-				1,541,203.00	
IPC 13	25/10/2023	57,849.00	-	9,212,373.00	9,212,373.00			
IPC 15	25/10/2023	21,971.00	-	3,498,903.00	3,498,903.00			
IPC 16	25/10/2023	22,182.00	-	3,532,476.00	3,532,476.00			
IPC 17	25/10/2023	37,226.00	-	5,928,123.00	5,928,123.00			
IPC 18	25/10/2023	8,382.00	-	1,334,854.00	1,334,854.00			
IPC 19	25/10/2023	26,275.00	-	4,184,278.00	4,184,278.00			
IPC 20	25/10/2023	22,865.00	-	3,641,154.00	3,641,154.00			
IPC 21	25/10/2023	16,831.00	-	2,680,270.00	2,680,270.00			
IPC 22	25/10/2023	460,988.00	-	73,411,776.00	73,411,776.00			
IPC 23	25/10/2023	27,231.00	-	4,336,526.00	4,336,526.00			
IPC 24	25/10/2023	2,120.00	-	337,550.00	337,550.00			
IPC 25	25/10/2023	477,429.00	-	76,030,008.00	76,030,008.00			
IPC 26	25/10/2023	74,869.00	-	11,922,719.00	11,922,719.00			
IPC 27	21/01/2024	148,272.00	-	25,869,437.00	25,869,437.00			
IPC 28	21/01/2024	88,211.00	-	15,390,335.00	15,390,335.00			
IPC 29	21/01/2024	76,012.00	-	13,262,029.00	13,262,029.00			
IPC 30	21/01/2024	41,557.00	-	7,250,571.00	7,250,571.00			
IPC 31	13/03/2024	20,994.00	-	3,197,953.00	3,197,953.00			
IPC 32	13/03/2024	1,463,582.00	-	222,940,366.00	222,940,366.00			
Total		3,094,846.00		487,961,702.00	487,961,702.00	7,177,736.00		825,650,704.

4. Miscellaneous Receipts

There was no miscellaneous receipt received during financial year 2023/2024.

5. Compensation of Employees

There was no cost incurred during the year for compensation of employees.

Notes to the Financial Statements (continued)

6. Purchase of Goods and Services

Description	2023-2024			2022-2023	Cumulative to- date
	Payments made y in Cash	Payments made by third parties	Total Payments	Total payments	
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Utilities, supplies and services (Licenses)	-	-	-		2,538,189.00
Communication, supplies and services	-	-	-		4,285.00
Domestic travel and subsistence	3,814,960.00		3,814,960.00	1,570,100.00	9,070,260.00
Foreign travel and subsistence	-	-	-		1,752,640.00
Printing, advertising and – information supplies & services	60,000	-	60,000	19,000.00	1,239,115.00
Specialized services/ Specialized	1,784,758.00	-	1,784,758.00	11,013,494.00	79,433,457.00
Hospitality & Seminars	1,815,612.00	-	1,815,612.00		1,815,612.00
Routine maintenance – vehicles and other transport equipment	351,560.00	-	351,560.00	-	351,560.00
Project Others	241,200.00		241,200.00		241,200.00
	8,068,090.00	-	8,068,090.00	12,602,594.00	96,446,318.00

7. Social Security Benefits

No cost was incurred in regards to social security benefits

Rwabura Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2024

Notes to the Financial Statements (continued)

8. Acquisition of Non-Financial Assets

Description	FY 2023/2024			FY 2022/2023	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Construction of civil works	0.00	487,961,702.00	487,961,702.00	7,177,736.00	825,650,704.00
Acquisition of land	372,840.00	-	372,840.00	9,679,621.00	33,733,080.00
Total	372,840.00	487,961,702.00	488,334,542.00	16,857,357.00	859,383,784.00

9. Transfer to other Government Entities

There were no transfers to other government entities during the financial period to 30 June 2024.

10. Other Grants ,Transfers and Payments

There were no other grants and transfers received during the financial period to 30 June 2024.

11. Cash and Cash Equivalent

Description	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Bank accounts NIA Cooperative Bank 01136128012900	35,570,602.00	36,511,532.00
Cash in Hand		
Cash Equivalent (short term deposits)		
Total	35,570,602.00	36,511,532.00

Kshs.35,570,602.00. balance at the end of this financial year is banked together with other development funds within the larger NIA development funds bank accounts. NIA uses two main bank accounts for development fund purposes, namely: Co-operative Bank of Kenya and Equity bank Limited

11. A Project Bank Account

There is a project Bank account domiciled at Equity Bank of Kenya.

Rwabura Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2024

Notes to the Financial Statements (continued)

12. Imprests and advances

There was no accounts receivable during the year.

13. Accounts Payables

Description	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Retention	-	-
Deposits	-	-
Total	-	-

14. Funds Balance Brought Forward

Description	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Bank Accounts	36,511,532.00	35,543,747.00
Cash in Hand	-	-
Cash equivalent (short term –deposits)	-	-
Outstanding imprests and advances	-	-
Total	36,511,532.00	35,543,747.00

15. Prior Year Adjustments

There was no prior year adjustments made in the reporting period.

16. Changes in Receivables

There was no change in accounts receivable

17. Changes in Accounts Payable

There were no changes in accounts payable.

Other Important Disclosures

1. Pending Accounts Payable (See Annex 4a)

	Balance b/f from FY 2022/2023	Additions for the period	Paid during the year	Balance c/f FY 2023/2024
Description	Kshs.	Kshs.	Kshs.	Kshs.
Civil works- Raesa of Spain IPC (27-35) Additions	185,382,558.00	315,964,881.00	487,961,702.00	13,385,737.00
Land compensation	903,172.00	360,069.00	372,840.00	890,401.00
Strecco Limited Consultancy services	538,349.00	1,714,248.00	1,610,802.00	103,446.00
Total	186,824,079.00	318,039,198.00	489,945,344.00	14,379,584.00

NB: Payable amount of Kshs. 538,349.00 belonging to Strecco Limited had been forfeited during this financial year hence reducing the total accounts payables with the same amount.

2. Pending Staff Payable.

There were no pending accounts payables.

3. Other Pending Payables. (See Annex 4c)

	Balance b/f FY 2022/2023	Additions for the period	Paid during the year	Balance c/f FY 2023/2024
Description	Kshs.	Kshs.	Kshs.	Kshs.
Amounts due to third parties (Retention) Raesa IPC 1-35)	58,871,102.00	43,656,464.00	-	102,527,566.00
Total	58,871,102.00	43,656,464.00	-	102,527,566.00

4. External Assistance

	FY 2023-2024	FY 2022-2023
Description	Kshs	Kshs
External assistance received as loans	487,961,702.00	7,177,736.00
Total	487,961,702.00	7,177,736.00

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Other Important Disclosures (Continued)

a. External assistance relating loans and grants

	FY 2023/2024	FY 2022/2023
Description	Kshs	Kshs
External assistance received as loans	487,961,702.00	7,177,736.00
Total	487,961,702.00	7,177,736.00

b. Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	FY 2023/2024	FY 2022/2023
Description		Kshs	Kshs
Undrawn external assistance - loans	construction civil works for Rwabura project	148,086,153.00	420,319,927.00
Total		148,086,153.00	420,319,927.00

c. Classes of providers of external assistance

	FY 2023/2024	FY 2022/2023
Description	Kshs	Kshs
Bilateral donors (Government of Spain)	487,961,702.00	7,177,736.00
Total	487,961,702.00	7,177,736.00

d. Non –Monetary assistance

There was no non-monetary external assistance in form of goods and services.

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Other Important Disclosures (Continued)

e. Purpose and use of external assistance

Payments made by third parties	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Acquisition of assets	487,961,702.00	7,177,736.00
Total	487,961,702.00	7,177,736.00

f. External assistance paid by third parties on behalf of National Irrigation Authority at source

	FY 2023/2024	FY 2022/2023
Description	Kshs	Kshs
Bilateral donors	487,961,702.00	7,177,736.00
Total	487,961,702.00	7,177,736.00

5. Payments By Third Party on Behalf of the Project

5.1 Classification by Source

	FY 2023/2024	FY 2022/2023
Description	Kshs	Kshs
Bilateral donors- Fiem Spain	487,961,702.00	7,177,736.00
Total	487,961,702.00	7,177,736.00

5.2 Classification of Payments made by third Parties by Nature of expenses

	FY 2023/2024	FY 2022/2023
Description	Kshs	Kshs
Acquisition of Assets (Fiem Fund)	487,961,702.00	7,177,736.00
Total	487,961,702.00	7,177,736.00

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Other Important Disclosures (Continued)

6.0 Related Party Disclosures

	FY 2023/2024	FY 2022/2023
Description	Kshs	Kshs
Transfer from Related Parties (Treasury)	7,500,000.00	23,250,000.00
Total	7,500,000.00	23,250,000.00

7.0 Contingent Liabilities

There were no contingent liabilities for the project

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13. Annexes
Annex 1: Prior Year Auditor- General's Recommendations


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Other Matter	<p>1. Pending accounts payable Review of Other Important Disclosure under Annex 4a to the financial statements, revealed pending bills amounting to Kshs.7,736,982 as at 30 June, 2023 out of which Kshs.538,349 was in relation to a pending claim by a consultant that has remained outstanding for over three (3) financial years. Management did not provide satisfactory explanations for the failure to settle the claim. This exposes the Project to the risk of incurring interest costs and penalties with the continued delay in settling the claims as required under clause D of the contract signed between the consultant and the National Irrigation Authority.</p> <p>Further, failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge</p>	<p>The pending bills will be fully settled upon availability of funds</p>	<p>Eng. Risper Okumbe</p>		

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<p>Other Matter</p>	<p>2. Budgetary Control and Performance The statement of comparative budget and actual amounts for the year ended 30 June 2023 reflects budgeted receipts and actual on a comparable basis of Kshs.346,250,000 and Kshs.30,427,736 respectively resulting in a shortfall of Kshs.315,822,264 or approximately ninety-one (91%) of the approved budget. Similarly, the statement further reflects that the project's approved expenditure was Kshs.346,250,000 against actual expenditure of Kshs.29,459,951 resulting in an under-absorption of Kshs.316,790,049 or approximately 91% of the approved budget This significant under-absorption is an indicator that the project's implementation is behind schedule with only five (5) months remaining to the closure of the project in November 2023. The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the stakeholders.</p>	<p>The under-absorption of funds allocated was occasioned by the delays in submitting proper supporting documents for processing of payment documents. The Contractor submitted Interim Payment Certificates (IPCs) No. 13 to IPC 26 for payment during the year under review. The Implementation Team adapted strategies to accelerate completion of the works on time, the current progress is 96% and the works are on schedule</p>	<p>Eng. Risper Okumbe</p>		
	<p>3. Unresolved Prior Year Audit Issues The Project's audit report of the previous year highlighted several issues under Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector</p>	<p>The management has been able to resolve prior year audit issues during the current financial year 2023/2024.</p>	<p>Eng. Risper Okumbe</p>		

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	Accounting Standards Board templates and The National Treasury's Circulars.				
Report on Lawfulness and Effectiveness in use of public resources	<p>1. Failure to open and maintain a project Bank account .</p> <p>The statement of financial assets reflects bank balance of Kshs.36,511,532 as disclosed in Note 11 to the financial statements. The Project does not have a separate account, but continued to receive the counterpart funds through the National Irrigation Authority's development bank account number This is contrary to Regulation 76. (1) of the Public Finance Management Regulations, 2015 which provides that for the purpose of disbursement of project funds, there shall be opened and maintained a project account for every project at Central Bank of Kenya. In the circumstances, Management was in breach of the law.</p>	<p>The Management has since received the approval of NIA Directors to open a designated bank account for the Project but waiting for the approval by the National Treasury to actualize the same. This is as per the National Treasury Circular No. 19/2016 quoting section 28(1) of the PFM Act, which states that "The National Treasury shall authorize opening, operating and closing of Bank Accounts and sub accounts for all National Government Entities in accordance with the regulations under this Act." Project Bank balance reconciliation statement is hereby attached;</p>	CoF – CPA Jedidah Oduori	Resolved	


Chief Executive officer
 Eng. Charles Muasya, *MBS*


Project Manager
 Eng. Risper Okumbe


Project Accountant
 CPA Tirus N. Kabuthia
 ICPAK Member No:15039

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Annex 2 - Variance Explanations - Comparative Budget and Actual amounts

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b		d=b/a %	
Receipts					
Transfer from Government entities	10,000,000.00	7,500,000.00	2,500,000.00	75	There was budget cuts
Proceeds from borrowings	743,000,000.00	487,961,702.00	255,038,298.00	66	Payments are disbursed based on works executed and certified.
Total Receipts	753,000,000.00	495,461,702.00	257,538,298.00		
Payments					
Purchase of goods and services	8,500,000.00	8,068,090.00	431,910.00	94	
Acquisition of non-financial assets	744,500,000.00	488,334,542.00	256,165,458.00	66	Payments are released on work certified.
Total payments	753,000,000.00	496,402,632.00	256,597,368.00		

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Annex 3: Reconciliation of Inter –Entity Transfers

	PROJECT NAME: RWABURA IRRIGATION DEVELOPMENT PROJECT			
	Break down of Transfers from the State Department of Ministry of Water, Irrigation and Sanitation			
A.	Government Counterpart Funding			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	RC262395	Quarter 1- 29/09/2023	2,500,000.00	Financial year 2023/2024
	RC273308	Quarter 3 & 4-14/05/2024	5,000,000.00	Financial year 2023/2024
		Total	7,500,000.00	
B.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	Fiem – Payment to Raesa		487,961,702.00	
		Total	487,961,702.00	
C.	Others			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		-	-	Financial year 2023/2024
		Total		
		TOTAL(A+B+C)	495,461,702.00	

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Annex 4a: Analysis of Pending Bills

Supplier of Goods or Services	Date contracted	Original Amount	Amount Paid To-Date	Outstanding Balance 2024	Outstanding Balance 2023	Comments
		a	b	c=a-b		
Construction of civil works						
Raesa of Spain IPC 33-35 Additions	01/03/2019	501,347,439.00	487,961,702.00	13,385,737.00	185,382,558.00	To be fast tracked in the FY 2024/25
Land compensation	12/06/2015	1,263,241.00	372,840.00	890,401.00	903,172.00	Change of design affected the payment to PaPs.
1. Strecco Limited Consultancy services	6/05/2020	2,252,597.00	1,610,802.00	103,446.00	538,349.00	
Grand Total		504,863,277.00	489,945,344.00	14,379,584.00	186,824,079.00	

NB: Payable amount of Kshs. 538,349.00 belonging to Strecco Limited had been forfeited during this financial year hence reducing the total accounts payables with the same amount.

4c: Analysis of Staff Pending Bills

There were no staff pending bills since the project is supervised by NIA staff.

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Annex 4c: Analysis of Other Pending Payables

Name	Brief Transaction Description	Date Payable Contracted	Original Amount	Amount Paid To-Date	Outstanding Balance 2024	Outstanding Balance 2023	Comments
Amounts due to Third Parties		a	b	c	d=a-c		
Raesa of Spain Retention IPC 1-35	Cumm. Retention upto IPC 35	01/03/2019	102,527,566.00	-	102,527,566.00	58,871,102.00	Cumulative Retention to date
Grand Total	-		102,527,566.00	-	102,527,566.00	58,871,102.00	

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Annex 5: Summary of Fixed Asset Register

Asset class	Opening Cost (Kshs.) 2023/2024	*Purchases/Addit ions in the Year (Kshs.) 2023/2024	**Disposals in the Year (Kshs.) 2023/2024	Transfers in/(out) Kshs. 2023/2024	Closing Cost (Kshs.) 2024
	(a)	(b)	(c)	(d)	(e)= (a)+ (b)-(c)+(-)d
Work in Progress	459,427,470.00	496,402,632.00	-	-	955,830,102.00
Total	459,427,470.00	496,402,632.00	-	-	955,830,102.00

Annex 5: Contingent Liabilities Register

There were no contingent liabilities

Annex 6: Reporting of Climate Relevant Expenditures

There was no climate related expenditure.

Annex 7: Disaster Expenditure Reporting Template

There was no disaster related expenses

